



September 24, 2012

Mr. Robert E. Feldman, Executive Secretary  
Attention: Comments/Legal ESS  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

Re: FDIC Basel III NPR (RIN 3064-AD95) and FDIC Standardized Approach NPR (RIN 3064-AD96)

Dear Mr. Feldman:

I hereby submit the following observations and opinions based on forty six years of experience in the community banking industry.

Following the implementation of Basel I, many in economics and many of the world's largest banks wanted a more sophisticated and flexible risk-based capital standard. Consequently, Basel II and Basel III were developed to satisfy the interest(s) of the largest banks, not the smaller community banks. Based on the poor record of Basel(s) I, II and II.5, a reasonable assumption would be that the system is fundamentally flawed. Now Basel III, as a continuation of the prior efforts but with more complexity, is being proposed for all banking firms. Even though community banks did not engage in the reckless behavior that contributed to the recent economic crisis, and do not function in the same arenas the large banks, are being required to function by the same rules.

Each community bank and its market have its own individual characteristics. The characteristics are subject to change from time to time. The bank examiners are in the best position to analyze and determine all of the factors involved in the bank's financial condition. Typically community banks maintain higher capital labels than regional and international institutions. The present system is working for us. Please do not make us subject to the same complex standards required of larger and more risky financial institutions which are functioning in different arenas.

I respectfully offer the following suggestion for your consideration. Community banks with total assets of under one billion dollars would have the option to continue using Basel I risk weights. This would allow the new risk-based standards to cover approximately ninety percent of all financial institution assets while effecting only ten percent of the institutions.

Sincerely,

Robert D. Watson  
Chairman Emeritus