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October 10, 2012

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Re: Regulatory Capital Rules, FIL-25-2012, FIL-27-2012

Dear Mr. Feldman:

As a career banker of more than thirty-five years, I am writing to express my opposition to the proposed Basel III capital rules for community banks. Community banks (i.e., <$10 billion in total assets) are and have been well capitalized based on regulatory capital standards and generally conduct their business in a conservative manner. Their presence provides the public with an important alternative to big banks, many of which are impersonal, charge high fees and engage in well publicized risky practices to the detriment of taxpayers. While it's true that there have been community bank failures due to a lack of capital to support their operating risks, which was then exacerbated by the financial crisis, those of us who are FDIC insured know that we covered these costs in the form of higher rates or special assessments, not taxpayers.

In short, with regard to community banking, the proposed Basel III capital rules are, in my opinion, needlessly complex, create capital ratio volatility and are likely to constrain lending and investment, which in turn constrains economic recovery in the United States. A one-size-fits-all set of capital rules under the Basel accord does not seem fair or appropriate. The proposed Basel capital rules seem better suited to the very largest financial institutions both domestically and abroad.

In conclusion, I suggest that the current capital regulations be maintained with two exceptions. First, I think that the addition of a new capital ratio "common equity tier 1" phased in under the proposed Basel III capital rules makes sense. If bank management decides to engage in excessive risk taking and it is not detected by audits or examinations and losses are realized they should be borne by the shareholders. Second, I agree with the Basel III proposal that the tier 1 risk based capital ratio be increased from 4 percent to 6 percent over a phase in period to be adequately capitalized. Both of these modifications would add a little more strength to a capital system that works just fine for community banks.

Respectfully submitted,

Jann Allen Weaver

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