



BANKERS' BANK  
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October 19, 2012

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

Re: Basel III Capital Proposals

Dear Mr. Feldman:

Thank you for the opportunity to provide comment on the Basel III proposals that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

Bankers' Bank of Kansas is a banker's bank owned exclusively by 192 Kansas Community Banks. As we review the proposed Basel III rules we are once again fatigued by the avalanche of requirements that should truly only apply to the world's largest, complex banking organizations.

If adopted these rules will undoubtedly reduce credit available to consumers and small business borrowers across the country. It will also lead to huge gyrations in capital requirement based on interest rate swings and credit grading that always takes place in economic cycles.

Next will be the required stress tests that require banks to meet the new Basil III guidelines and then up the ante by requiring additional capital above Basil III to account for that probability. All will be delivered with the threat of limiting compensation if the levels are not met.

We also foresee situations when Reserve for Loan Loss numbers will be gamed. Requiring 150% capital on a Commercial Real Estate credit with an 81% loan to value will muddy the thought process on assigning risk through the Reserve for Loan Loss process if one believes the risk is being calculated in the capital allocation. Likewise the temptation will be to "kick the can down the road" to avoid the capital allocation of a past due credit.

All of these issues could be avoided by simply making Community Banks exempt from Basil III, and utilizing existing safeguards in place through the "boots on the ground" examination process. Regulators have ample power to request additional capital if specific facts and risks warrant.

If you are in the cattle business and one animal keeps jumping over the fence, you do not build a bigger fence, you get rid of the jumper.

Thanks for your consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "Brue A. Schriefer".

Brue A. Schriefer  
President

BAS: