July 27, 2012

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

RE: FDIC – RIN 3064-AD95 (Basel III NPR)
Dear Mr. Feldman:

My first concern with the Basel III NPR is the inclusion of "Accumulated Other Comprehensive Income" in the common equity Tier 1 definition, mainly including net unrealized gains/losses on available for sale debt securities. The inclusion of this component in common equity Tier 1, will force community banks to give up liquidity protection. This will happen as community banks hold less and less of their securities portfolio as Available for Sale so they do not have to worry about decreases in capital from an increase in interest rates.

Currently, our banks holds approximately 50% of our debt securites as AFS and we currently have a significant gain in our AFS portfolio. I realize that once interest rates begin to increase significantly, this gain may become a significant loss. To prevent a large fluctuation in common equity Tier 1, it will be to our advantage to hold very few AFS securities in my portfolio from this point going forward. Most community banks have significant liquidity at present, so a small portfolio of AFS securities will not be an issue, but at some point our liquidity positions may not be as great. When our liquidity positions turn south, we are not going to have the extra AFS securities that we currently have to fall back on. It should be noted that over the past 10 years on average we only sell one of our AFS securites per year. The balance of our AFS portfolio is contingent funding, which the inclusion of "Accumulated Other Comprehensive Income" will eliminate this important source of backup liquidity.

Sincerely,

Scott Selko, President
Bank of Mead
Mead, NE 68041