



Brice A. Luetkemeyer, President

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October 16, 2012

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

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve
20th Street and Constitution Ave., N.W.
Washington, D.C. 20551

Office of the Controller of the Currency
250 E Street, S.W.
Mail Stop 2-3
Washington, D.C. 20219

RE: Basel III Capital Proposals

Dear Ladies and Gentlemen:

We appreciate the opportunity to comment on the proposed capital rules.

Basel II was intended for large complex international banks. The United States has a unique 'dual banking' system that is more stable, more flexible, more competitive and certainly different than the European model for which this proposal was intended. We need smaller banks to better serve small business and consumers, and we need big banks to better serve large businesses. Forty percent of small business lending is done by community banks. Applying this type of one-size-fits-all European type regulation designed for Europe, will be a huge detriment to our banking system.

In the private sector of the economy, we must always do a cost-benefit analysis to determine if a proposal is worthwhile and does not have unintended consequences. I have not seen where this proposal has been stress tested or back tested on a variety of banks, or, had any supporting empirical data to support the hoped for result. We can't imagine not doing this first with any proposal.

Some of the most troublesome proposals in Basel III:

1. Basel III requires that unrealized gains and losses on available for sale securities flow through to Tier 1 equity. Two senior officers of our bank, were bank regulators in the late 1970s and 1980s. Having examined banks during that interest rate environment, we know that most banks back then, were insolvent according to this proposal. Today, most of those banks are not only solvent, but doing very well. Again, why would we not want to back test, etc.
2. Basel III requires the banks to have an additional 'capital conservation buffer' in addition to the changes that increase the amount and quality of regulatory capital, based on credit risk. However, credit risks are already factored into the loan loss reserve that we constantly

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document and the regulators oversee. The buffer requirement is also completely unfair to Sub-S tax status banks. There is no exception or accommodation to allow dividends corresponding to the tax liabilities associated with stock ownership. A C-corporation is not similarly restricted in its ability to pay taxes.

3. Basel III requires a Standardized Approach to assign a complex and detailed risk weighting to assets to calculate capital requirements from them. Our community bank is already required to evaluate and determine all of the different types of credit risks in the loan portfolio and document that on an ongoing basis. Safety and soundness examiners have in the past, and are certainly capable in the future, to evaluate management's effectiveness to identify, quantify and address those risks. The bank, with the examiner oversight, makes sure that the bank's risk is adequately being recognized in the level of the Loan Loss Reserve.

All of these, as well as the other provisions, would result in a regulatory micromanagement of, not only the banks' capital adequacy, but of its operations.

While we support an increase, at some level, in the amount of capital that banks hold, the cumulative effect of the items included in this proposal will have a severe negative impact on the community banks and the communities that they serve. All this excessive regulation will eventually force many community banks to sell or fail, resulting in less competition, less service and fewer choices with higher costs to the consumers. Many of the larger banks are already moving away from the smaller markets.

We have long time former bank regulators on our bank staff that understands the need for regulation and the reasonable enforcement of it. The economic events of the last few years certainly warrants improved capital standards, but the unintended consequences of this regulation also warrants the need to step back from this. I strongly urge you to exempt community banks from this regulation, or, start over and do what FDIC Director Thomas Hoenig suggested. That is, take this rule which is "too complex and too technical" and start over with a rule that raises capital standards that are "simple, understandable, workable and enforceable".

Yours truly,



Brice A. Luetkemeyer
President/CEO

CC: Max Cook, President, Missouri Bankers Association; U. S. Senator Roy Blunt; U.S. Senator Claire McCaskill; U. S. Rep. Todd Akin; U. S. Rep. Russ Carnahan; U. S. Rep. Lacy Clay; U. S. Rep. Emanuel Cleaver; U. S. Rep. JoAnn Emerson; U. S. Rep. Sam Graves; U. S. Rep. Luetkemeyer; U. S. Rep. Vicky Hartzler; U. S. Rep. Billy Long