From: Robert Terravecchia [mailto:Robert.Terravecchia@weymouthbank.com]
Sent: Friday, October 19, 2012 6:05 PM
To: Comments
Subject: August 30, 2012 - FDIC (RIN 3064â€“AD96)

Thank you for the opportunity to share my comments and concerns regarding the recently adopted NPRs regarding proposed changes to the leverage and risk-based capital requirements. The Basel III NPR addresses, *inter alia,* changes to minimum regulatory capital ratios, capital adequacy and transition provisions. The Standardized Approach NPR addresses changes to the Risk-Weighted asset framework which is currently governed under Basel I. The revisions are designed to increase the resiliency of the U.S. banking system and help all banking organizations maintain strong capital positions.

The NPR's reference the recent financial crisis as one of the principal reasons why these changes are necessary. Although the financial crisis of the past five years had many causes, lack of adequate capital in the vast majority of community banks in the U.S. was not one of them. The primary cause of the financial crisis is that far too much of the country's financial assets were allowed to be concentrated in too big to fail institutions. It is simply staggering to think that the amount of assets controlled by the ten largest bank holding companies has actually increased from 40% in 2006 to 53% in 2011, *five years after the economic crisis.* I believe that if the NPR's are applied to community banks consolidation of the industry will accelerate creating even larger and more complex institutions which will result in a net increase in systemic risk rather than a decrease as the NPR's are designed to accomplish.

The NPR's requirement of including Accumulated Other Comprehensive Income (AOCI) in calculating Tier 1 Capital will increase capital volatility and distort capital ratios going forward. The inclusion of unrealized gains and losses on securities held as "available for sale" in determining Tier 1 capital has the potential to substantially increase the volatility of Tier 1 capital and distort the bank's regulatory capital ratios. While large, complex financial institutions can hedge the impact of interest rate changes on AOCI, community banks lack the financial and technical wherewithal to do so. As such, in a rising interest rate environment, unrealized temporary losses in an available for sale debt portfolio could quickly erode a bank's capital and thus their ability to continue lending.

We also believe the NPR's Basel III framework is overly complicated and will impose an onerous regulatory burden penalizing community banks and jeopardizing our ability to do what we do best; serve our community in safe and responsible manner without creating systemic risk to the financial markets, taxpayer funded bailouts, or moral hazard by offering toxic loan products to our customers.

I sincerely hope that you take these and all of the other comments made by community bankers into account before you issue the final rules. I thank you again for the opportunity to comment on this very important matter.

Sincerely

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