



October 10, 2012

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

Office of the Comptroller of the Currency  
250 E Street, SW  
Mail Stop 2-3  
Washington, DC 20219

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

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals<sup>1</sup> 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. **Basel III is a more restrictive and complex capital formulation in response to the worldwide financial crisis that harms community banks to the same highly complex standards required of larger and riskier financial firms. First State Bank of Rice is currently well capitalized, and will remain so even if federal regulators apply Basel III to ALL financial institutions. However, the proposals as written would reduce my risk-based capital by 1 to 2 percent.**

**Every single day of the week I speak with someone in one of my small communities concerning the housing market, job markets, the economy, and everyone needs to understand the community banks in our country are here to help people and the communities we all live in. Community banks are the economic engines of growth for all communities, and without them none will remain healthy and strong.**

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<sup>1</sup> The proposals are titled: *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions; Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements; and Regulatory Capital Rules: Advanced Approaches Risk-based Capital Rules; Market Risk Capital Rule.*

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**FIRST STATE BANK**

**Basel III was meant for international active financial firms and if you impose arbitrary and impossibly high capital regulations to the smaller, relationship lenders like community bankers, you will absolutely stop any type of economic stimulus nationwide! Many fellow bankers I know personally feel like it is a blatant attempt to crush the community banking industry.....this is not the answer, let's use some common sense and put our heads together and discover a win-win solution for everyone!!!**

Michael J. Montgomery  
Chairman of the Board, President & CEO

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