First County Bank™
It's where you belong.

October 9, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551
Delivered via email regs.comments@federalreserve.gov

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
Delivered via email comments@FDIC.gov

Office of the Comptroller of the Currency
250 E Street, S.W.
Mail Stop 2-3
Washington, D.C. 20219
Delivered via email regs.comments@occ.treas.gov

Re: OCC - "Basel III OCC Docket ID OCC-2012-0008, 0009, and 0010"
Federal Reserve Board – "Basel III Docket No. 1442"
FDIC – "Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97"

Ladies and Gentlemen:

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

Chartered in 1851, First County Bank is a $1.3Billion state-chartered Mutual Community Bank with 15 offices in 6 southwestern Connecticut communities from Greenwich to Westport. For over 160 years, we have provided residential mortgage and small business loans to members of our communities through several economic downturns never having participated in the sub-prime market of recent years. As of July 2012, First County Bank has Tier 1 Capital of 9.07% and a Risk Based Capital Ratio of 14.05%. We are considered "Well Capitalized" by any definition.

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We, like most mutual banks are dedicated to the community we serve and have a stellar record of involvement. In fact, our Foundation, founded in 2001 to celebrate our 150th anniversary, just exceeded $5.0Million in giving. All of our senior staff participate in any number of non-profit board activities and more recently, we have been utilizing the FDIC MoneySmart program providing financial education in over a dozen non-profit and education venues. More than 30 of our 217 employees participate as instructors. This is something we are very proud of.

First, we are in favor of strengthening the quality and loss absorption safeguards in the financial sector. First County Bank's intention has been and continues to be to hold capital well above the minimum required levels. While we support proposed levels of capital, several areas are troubling, and in our case perhaps unworkable as we are a mutual bank with limited access to capital. In fact, our capital increases only through the retention of earnings. Community banks, like First County Bank, had little to do with the recent economic collapse, which was largely created by the misuse of sub-prime loans made primarily outside the banking system and securitized by large investment banks and lenders. We are very familiar with our clients and the risks of lending to them.

Second, the proposed rules regarding residential mortgages will make mortgage loans more difficult to obtain in many markets, such as those typically served by our bank. Mortgage loans that we keep on our books must be jumbo loans, which carry a higher rate, or variable rate loans used as a tool to manage our interest rate risk. We would prefer not to carry 30-year loans on our books given the current interest rate environment. Requiring higher risk rating of those loans thus requires more capital, increasing the cost of the credit and reducing availability of credit in our market.

Third, home equity lending has been an important and vibrant consumer lending product for First County Bank and others for many years. Basel III carries punitive risk weighting of up to 200%, based on LTV, which will again drive up the cost of capital and reduce credit availability. We are already in discussion about discontinuing making credit available when LTV > 80%.

Fourth and perhaps, the most significant of the Basel III proposals to First County Bank is the impact (reduction) to Tier 1 capital based upon current accounting treatment for our pension plan. The bank is required to reduce capital for the portion of the actuarial loss that does not get recognized in the plan's financial statements. This is the "Unrecognized Net Loss". Without getting into complex accounting treatment, First County Bank would be forced to reduce our capital account by $21,672,946 on current capital of $121,283,000. Even though the Plan is fully funded, we are penalized by the mere fact we continue to have a Pension Plan for the benefit of our employees and retirees.

Fifth and perhaps not specifically related to Basel III are FASB's proposed changes to lease accounting where the value of our off-balance sheet branch leases would be run through our capital account. We are still running fairly complex calculations on this issue but at first glance, it may cost us 20bp on our Tier 1 ratio of 9.07%. We believe net income will be negatively impacted as well, since the interest expense will need to be front-loaded. All of the capital ratios will be negatively impacted and the accounting becomes much more complicated. We are not sure what value this proposed change has to First County Bank or our stakeholders as we are a mutual with no stockholders.

The collection of information needed to analyze these rules and the accompanying reporting will likely make Basel III very expensive to manage in a time where margins are under pressure. If you consider the added burden of Dodd-Frank, it becomes almost overwhelming.

The results of the Basel III rules are needed for very large and foreign institutions that have historically been allowed to operate with less capital than community banks. As you can see from the few points listed above, the cumulative impact of Basel III is very detrimental to First County Bank, other community banks and especially those of us who hold a mutual charter. Our existing regulatory agencies, the FDIC and the Connecticut Department of Banking know us quite well, our business model and the risks we are willing to take in the market. They do not let us stray very far nor would we care to.

Finally, First County Bank believes the cumulative effect of each of the items discussed above and several other Basel III provisions will have a significant impact on most community banks in this county. I strongly urge you to consider an exception for all community banks, especially mutual's, from these proposed rules. Please consider a threshold of $10Billion in asset size to be an appropriate exemption level.

First County Bank's goal is to continue to serve and strengthen our local economies as we have been doing since 1851.

Sincerely,

Reyno A. Giallongo, Jr.

Reyno A. Giallongo, Jr.
Chairman and Chief Executive Officer

CC: Congressman Jim Himes
Senator Richard Blumenthal
Senator Joseph Lieberman