

October 18, 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.

**Farmers and Merchants Bank is a 119 million dollar bank located in LaFayette, AL, population 3,200. The bank first opened in 1934 and is the only locally owned bank in rural Chambers County. Only a bank such as ours has the ability and willingness to serve the unique needs of our community. The bank has a very simple balance sheet and the very complicated BASEL III calculations would be another unnecessary burden on an already overly regulated small business.**

**Our Tier 1 leverage capital as of June 30, 2012 was 13.60%. Under the current interest rate environment, the BASEL III requirements do not have a significant impact on the bank's position. However, the bank has a significant amount of its assets invested in long term bonds and the eminent rise in interest rates could have a major negative impact on the bank's capital position.**

**Applying the proposed requirements on a small bank with a simple balance sheet really does not seem necessary. For instance, applying heavier risk weights to mortgage loans does not seem prudent when the bank has experienced net losses of .072% (basically 0%) of loans over the last five years. Our information systems do not currently track loan-to-value ratios and we do not make loans on properties with more than an 85% combined LTV. This requirement would be another reason to consider exiting the mortgage market altogether when combined with all of the other new regulations.**

**The survival of our already struggling community hinges greatly on the existence of Farmers and Merchants Bank and the services that we provide. It is my fear that with the onslaught of regulations that have been imposed will lead to the demise of community banks all over the country and therefore the demise of small communities nationwide.**

Sincerely,  
Stanley T Tucker-President/CEO

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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.*