Bank of Anguilla
A Financial Pyramid of the Delta since 1904

October 15, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
regs.comments@federalreserve.gov
Subject: "Basel III Docket No. 1442"

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219
regs.comments@occ.treas.gov
Subject: "Basel III OCC Docket ID OCC-2012-0008, 0009, and 0010"

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street, N.W.
Washington, D.C. 20429
comments@FDIC.gov
Subject: "Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97"

Re: Basel III Capital and Risk-Weighting Proposals

Ladies and Gentlemen:

I am the President of a community bank in rural Mississippi. Our bank serves in one of the most economically depressed areas in the county. Our two county area has a very small population and no industry other than agriculture. A large part of the population lives below the poverty level. My bank is as far removed from Wall Street and the international banking community as any institution in the country. We have struggled for years with overly burdensome regulations created to rein in the behaviors of a few large banks and bankers. These regulations, some of which were officially intended only for the "big banks", have increased our operating costs and limited our revenue opportunities to the point where our continued existence as an independent financial institution is in jeopardy. The Basel III proposals, if implemented in their current form, could be the deathblow to our style of local, rural community banking.

Basel III was intended to be an international standard for the largest, internationally active banks. However, the proposed rule would impose Basel III standards on banks of all sizes. Most community banks did not engage in the reckless behavior that contributed to the recent economic crisis. Basel III will limit our ability to make loans, particularly residential and commercial mortgages, threatening the nation's economic recovery and our community.

I support a call for a more simplistic approach to revising bank capital standards. If a complex capital model is necessary to limit risk-taking by megabanks, such a model should only be applied to those institutions that are systemically important or "too big to fail". With over 40% of the industry's assets concentrated in the top four firms, and 90% concentrated in the top 10% of all institutions, our nation's banking regulators should devote their efforts toward reducing systemic risk instead of broadly applying unnecessarily complex capital standards to the entire industry. From a risk management standpoint, addressing 90% of the industry's asset exposure while placing a burden on only 10% of the institutions seems a logical and effective choice. This approach, combined with the additional oversight of systemically important financial institutions already mandated by Dodd-Frank, provides more bang for the buck and allows our nation's community banks to continue assisting in economic recovery.

A majority of U.S. Senators, the Conference of State Bank Supervisors, an FDIC Director and many others have voiced their opposition to the proposed rules, and I add my voice to the growing chorus. We ask for (a) a complete withdrawal of the proposed rules; (b) a careful review of the alternate proposals presented, with a focus on brevity and simplicity; and (c) the exclusion of community banks from standards designed to decrease systemic risk and level the playing field in international banking.

As stated earlier, our bank is the only bank in a rural two county area with population of less than 6,400. Well over 1/3 of the population lives below the poverty level. Because of this, many of our customers do not qualify for Category 1 mortgages. In fact we have never made this type of mortgage loan. Of the 191 home mortgage loans currently in our portfolio, the average original mortgage was less than $53,000 and the mean loan was under $30,000. Our mortgage has and continues to serve our customers and their needs. Without our help most of the people could not qualify for a loan for a place to live.

Although this is not a large portion of balance sheet, we know that a drop in our Tier 1 Risk Based Capital could have detrimental effect on our ability to continue to serve our community as we have in the past. Our bank, chartered in 1904, has been through major Mississippi River floods, economic downturns, wars, and the ups and downs of the agricultural economy and we feel that the bank will likely survive these new regulations. However, if we have to limit credit to certain sectors of our community, I am not sure that the community itself can survive them. This unintended consequence caused by those who know nothing about us could have a devastating effect on our already struggling community.

If a complete exemption of smaller institutions is not included in the revised version of Basel III proposals, please give careful consideration to removing the section requiring banks to include unrealized security gains and losses in regulatory capital calculations. The choices available to smaller institutions to avoid significant AOCI-related capital impacts would result in lower earnings (through reduced holdings of instruments with longer duration, including municipal securities that provide important financing structures for America's municipalities), lower returns to shareholders (through higher capital retention to offset AOCI) or less flexible balance sheets (through reallocation of AFS securities into HTM classification).

The nation's largest, systemically important institutions desperately need additional capital regulations, as well as additional regulatory oversight, to prevent another Lehman-like failure that exacerbates existing economic problems. I support these regulatory reforms. However, please don't let the needs of the few result in excessive burdens on the many. By creating these burdens on well run community banks that cannot afford the cost of increasing compliance, many small community banks will be forced to either close or merge. This will create a ripple effect that will ultimately harm the financial industry, our communities, and our county.

Sincerely,

Fred Miller, Jr.
President

cc: Senator Thad Cochran
Senator Roger Wicker
Representative Bennie Thompson
Representative Alan Nunelee
Representative Greg Harper
Representative Steven M. Palazzo