MidSouth Bancorp, Inc.

October 16, 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 Standards

Ladies and Gentleman:

We applaud your efforts to strengthen our banking system. Many improvements to regulations and examination practices have been implemented in the past several years (both pre- and post-financial crisis) that have resulted in a much safer and sounder banking system. For instance, limitations on Construction and Development lending and CRE as a percent of capital addresses the concentration issues that resulted in so many small bank failures.

However, the recent proposed capital guidelines are an inappropriate regulatory measure for the strengthening of our community banking system. These rules were designed to address the complexities and risks unique to larger financial institutions and not community banks with less than $5 billion in assets. In addition, many smaller banks with very limited or no access to new capital will be forced to constrict lending to many small businesses and individuals, and thus negatively impact economic growth, in many communities across the country.

The complexity of these rules comes at a time when the regulatory burden from Dodd-Frank and other regulations is crushing many small institutions. These banks simply do not have the resources to comply. Time and effort better spent by community bankers on implementing and complying with this new regulation would be much better served focusing on lending to businesses and consumers to spur economic growth in their communities.

Many have appealed to you in other comment letters about specific provisions of the rules and their impacts. There is no need to re-hash these points at this juncture. Suffice it to say the net result of this and many other new regulations will be to further accelerate the exit of many small banks from the business. And the unintended consequence is to negatively impact access to credit to many small businesses and individuals in many parts of the country. All at a time when there are record capital levels in the industry and as noted above many new regulations and examination practices that make the industry even stronger than stated capital levels might indicate. There are much simpler and more appropriate measures to strengthen the capital of community banks. These proposed rules are simply overkill for community banks. We would recommend that the existing capital rules be left in place for banks less than $5 billion in assets.

As a community bank (about $2 billion in assets expected at year end 2012), with access to capital and a strategic plan to acquire smaller banks, all of this new regulation and compliance burden along with higher capital standards will just drive more small banks to our doorstep. But, as our CEO stated recently, “this is great for us, but bad for America”.

We ask you to re-consider application of the proposed capital guidelines to banks less than $5 billion in assets and maintain the current risk based capital rules for these banks.

Sincerely,

James R. McLemore
Chief Financial Officer
Midsouth Bancorp, Inc.