

**From:** [James Francis](#)  
**To:** [Regs.Comments](#)  
**Subject:** Basel III OCC Docket ID OCC-2012-0008, 0009, and 0010  
**Date:** Monday, October 22, 2012 2:30:31 PM

---

We urge the Federal Reserve Board, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corp. (the "banking regulators") to exempt community banks from the proposed implementation of Basel III in the United States and to allow community banks to continue operating under Basel I capital regulations.

We believe the following:

- Basel III was originally conceived to apply only to the largest, systemically important and internationally active banks.
- Community banks did not engage in the reckless behavior that contributed to the recent financial crisis and subsequent economic downturn.
- Imposing complex and excessive capital standards will threaten the nation's economic recovery and limit lending, investment, and credit availability in Main Street communities.
- Basel III will force community banks to hire new compliance staff, compute complex risk weights for residential mortgages, and limit their loan offerings to meet the requirements of arbitrary risk-weighted buckets—which will result in disastrous and unintended consequences to the communities they serve.
- Community banks have lower risks because they operate under a relationship-based model that cannot be measured solely by imposing analytical capital standards.
- Including accumulated other comprehensive income (AOCI) as regulatory capital will dramatically increase regulatory capital volatility and require community banks to hold capital substantially in excess of regulatory requirements.
- The new rules will significantly alter the capital treatment of mortgage-servicing assets, deferred tax assets, and trust-preferred securities, requiring community banks to make major changes to their financial statements.
- Community and mutual savings banks do not have access to the capital markets, and subjecting them to capital measurement systems that causes capital ratios to fluctuate dramatically based upon the Fed's interest rate policy is an extreme disservice to them.
- Subchapter S corporation banks will be significantly affected by dividend restrictions imposed by the proposed capital buffer.

Community banks wish to remain on Basel I, which more accurately aligns their regulatory capital with the type of assets they hold and the relationship model they follow. Therefore, we urge the banking regulators to exempt community banks from the Basel III proposal and allow them to continue to operate their banks under the Basel I capital framework, which has served their relationship-based banking models and this nation so well for over a generation.

Sincerely,

Directors and Officers

Citizens Bank of Washington County

James C. Francis, III  
Citizens Bank of Washington County  
Chief Financial Officer/Vice President  
Ph: 478-552-5116  
Fx: 478-552-1326  
[www.cbwc.com](http://www.cbwc.com)

IMPORTANT REMINDER FROM CBWC

Information transmitted through email is not secure and may be intercepted by a third party. Therefore, do not reply to this message with confidential information. If you need to send us confidential information, please use the Message section on our Internet Banking web site; it is secure and

encrypted. If you need information about your PIN or Customer ID, please call us at (478) 552-5116.

478.552.5116  
478.552.1326 fax  
[www.cbwc.com](http://www.cbwc.com)