

October 10, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
Washington, DC

Office of the Comptroller of the Currency
Washington, DC

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
Washington, DC

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals 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. As a Senior Vice President of a small, community bank the proposed changes seem extremely unnecessary for community banks. There are many reasons to exclude community banks from the proposal, I have included 3:

First, the new Risk Weight changes under Basel III will heavily penalize both community banks and consumers searching for financing options for residential property. In banking, increased risk means increased cost which is completely counter-productive in a down economy with a crashed real estate market. Consumers have a hard enough time qualifying for financing and the only alternative to more expensive loans is exiting the real estate market completely which a lot of community banks will most likely do.

Second is the Incorporation of AOCI as part of Regulatory Capital. This will potentially result in very volatile regulatory capital balances which could deplete capital levels. Large financial institutions can mitigate this risk with hedge accounting relationships. Community banks do not have expertise to engage in these transactions and should be allowed to continue to exclude AOCI from capital measures.

Last is the obvious fact that community banks do not engage in the highly leveraged activities that the large banks do. These risks and decisions by large banks depleted their capital levels and drastically affected the financial markets. This was not the issue at the community bank level. Large banks also need more oversight of their ability to absorb losses because they operate purely on volume. Community banks are designed to serve customers on a long term basis with a relationship model. These drastic differences in management approach show that the need for changes, like those proposed in Basel III, should be exclusive to large banks.

I again appreciate the opportunity to provide comment on this matter. I believe it's affect on community banks is now widely known yet not at all intentioned. I hope the appropriate steps will be taken to eliminate this unintended burden.

Respectfully,

Chris Kingsbury
Senior Vice President, Investments & Operations
Bank of Dixon County