

September 25, 2012

Robert E. Feldman, Executive Secretary  
Attention: Comments/Legal ESS,  
Federal Deposit Insurance Corporation  
550 17th Street, N.W.  
Washington, D.C. 20429

Re: Comment on proposed Basel III regulatory capital rules/standards  
*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.*

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. Basel III will be demise of small community banks as we know them.

It is my belief the capital requirements will put an exorbitant amount of restrictions on what small banks can and cannot do. The marking to market of the available for sale bonds creates a large risk. Currently, most banks should have a nice unrealized gain on the books. With the current interest rate environment, it will aid the capital ratios. Should we enter in to a rising rate environment, the only solution to stabilize the capital ratios would be to liquidate the entire bond portfolio, dramatically impacting earnings in a negative manner.

Also of concern to me is the elimination of the balloon styled note. Many community banks use this as a tool to combat interest rate risk. Balloons are what they are comfortable doing. If they are doing them legally and the customers like them, why eliminate the product? Allow the bank to decide if the product makes sense for them, not the Basel Committee.

Small community banks have never been the problem; please do not force them to be. Thank you for listening to my concerns.

Best Regards,

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