

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

October 22, 2012

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals¹ 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.

I am the Chief Financial Officer of Exchange National Bank & Trust, a \$350 million bank in Northeast, Kansas. **I am concerned with the potential for dire consequences if the change that is contemplated regarding the inclusion of the Market Valuation of Securities in Tier 1 Capital.**

My bank has always been highly rated by the regulatory agencies and takes a conservative approach to lending and capital levels. My concern is the potential effect on the banking system if this simple change is made. My bank is well capitalized and will remain well capitalized should the proposed changes take place. You need to know that a quick 300 basis point increase in rates (similar to what happened between March 1994 and February 1995 = 275 basis points), would affect this bank by reducing capital from \$26,800 million to \$26,400 million, an 8% decrease. Nationally, this action would unnecessarily remove capital from the banking system and double the effect of rate increases by further tightening the availability of funds to consumers and businesses.

PLEASE, think twice before you allow this simple math change to produce an avoidable economic crisis.

Russell R McCort
Chief Financial Officer and Senior Vice President
Exchange National Bank, Atchison, Kansas

¹ The proposals are titled: *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.*