

From: Ellen Mills [mailto:emills@bankofthebluegrass.com]

Sent: Thursday, August 16, 2012 3:13 PM

To: Comments

Subject: RIN3064-AD95 & RIN3064AD96 Opposition to Basel III Capital Standards for Community Banks

To: Mr. Robert E. Feldman, Executive Secretary

Bank of the Bluegrass & Trust Co. is a \$219,000,000. Community Bank in the heart of Lexington, Kentucky. We have two branches. We are celebrating our fortieth anniversary in banking. Our capital stands at 13.40%. We oppose the imposition of Basel III Capital Standards on Community banks such as ours because Basel III was not intended to be applied to banks our size. We were not part of the irresponsibility that led to the financial meltdown and do not deserve to be harmed by the so-called solution. Community banks do the majority of small business lending and we work with our customers on a relationship rather than a transaction basis. There is no way Bank of the Bluegrass & Trust Company can be successful without our customers and our city being successful also. We faced asset quality problems along with our customers during the economic downturn. Together with our customers we have overcome the majority of those challenges and we did so without a government bailout.

Increasing Capital requirements arbitrarily on community banks will once again give Too Big to Fail Institutions a competitive advantage and will lead to reduced credit availability in our communities. Computing risk weights for residential mortgages and risk weighting the whole portfolio will lead to certain types of credit becoming more scarce which could threaten the economic recovery. The risk weighting will lead to capital volatility which will place more community banks at risk for not meeting the new requirements. Of particular concern to Bank of the Bluegrass is the proposal to phase out Trust Preferred Securities. We hold \$5,000,000 in Trust Preferred Securities which would devastate our capital levels if this amount was excluded.

If raising capital standards on community banks has to be part of the solution that Too Big to Fail Banks pose to the economic system, we advocate adjusting the minimum capital standards required using the current methodology.

Respectfully Submitted,

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