

October 1, 2012

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

RE: FDIC Basel III NPR (RIN 3064-AD95) and FDIC Standardized Approach NPR
(RIN 3064-AD96)

Dear Mr. Feldman:

As a director of the City Bank & Trust Company in Natchitoches, Louisiana, I wish to respectfully urge that significant modifications be made to the Basel III NPR and to the FDIC Standardized Approach NPR to provide relief to community banks.

It is regrettable to me that the reckless behavior of some of our nation's largest banks would result a complex maze of regulations that are being made applicable to all institutions, including small community banks. History shows that in order to be workable, capital rules must be simple, understandable, and enforceable. They must reflect a firm's ability to absorb loss in both good times and bad. Perhaps more importantly, they should be rules that the public and shareholders can wrap their arms around and understand and that directors like me can monitor.

The rules that are proposed to be implemented would unquestionably place burdens on community banks with no assurance of reducing the industry's risk profile. This profile is obviously dominated by our nation's largest financial institutions. In an effort to design a product that is germane to providing solutions to problems caused by the irresponsible actions of many of these giants, Basel III and the FDIC Standardized Approach NPR catch all banks in the net they have cast. This seems to me to be a disproportionate, if not unfair, response to the actions of a few.

I believe that small business borrowers and the businesses they create are the central focus of employment opportunities and economic activity in our country. Community banks like ours have historically been the main source of credit for these entrepreneurs. It seems logical and predictable to me that the complexities of the proposed rules will most assuredly result in reducing the availability of such credit for "Main Street" America. The Basel proposal would seem to be the quintessential definition of unnecessary regulatory burden and will no doubt have severe consequences on the community banking sector. While large banks have the ability to absorb the costs related to compliance with such rules, community banks find it costly and cumbersome to maintain vigilance on the steady stream of regulations and edicts coming from Washington, D.C.

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Should the current proposal be implemented, bankers are likely to respond in three ways: a) shorten the duration of the securities portfolio to reduce price risk. This would reduce earnings, requiring the assumption of additional risks in other areas in order to maintain a stable income stream or resulting in diminished earnings; b) hold additional capital to off-set AOCI risk. This option lowers ROE and ROI, reducing the amount of free market capital available to financial institutions; c) transfer price-risky bonds into the HTM category. This does nothing to change the bank's risk profile, relying on an accounting election to hide the very risk this proposal attempts to reveal. By transferring securities from AFS to HTM, bankers reduce their liquidity options in order to protect "on paper" capital ratios. To many, this would appear to be a questionable trade off.

Somewhere in the Bible it says, "For what shall it profit a man if he should gain the whole world, and lose his own soul?" Similarly, what is accomplished if in adopting such a complex and rigid set of rules and regulations, consumers, small businesses, and local government entities face higher borrowing costs and diminished availability of both the credit they so desperately need and services offered by community banks?

While readily stipulating that banking is not my profession, it seems to me that applying an international capital standard to a community bank is illogical, particularly when models have not supplanted examinations in these banks. Implementing Basel III suggests we have solved measurement issues in the global industry that we have not solved. It is time to step back and reassess.

If Basel III must be the law of the land, please consider its application to the ten percent of all institutions over \$1 billion and allow existing regulatory practices to continue to effectively work for the other ninety percent.

Sincerely,

A handwritten signature in black ink, appearing to read "Louis C. Bernard". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Louis C. Bernard, Director
City Bank & Trust Company
Natchitoches, Louisiana