

October 4, 2012

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

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comments on the Basel III proposals. If these rules are allowed to go into effect as proposed, you might as well add "Community Banks" to the list of endangered species. Without this protection, the Ribbed Newt has a better long term prospect of survival than we do.

I will be the first one to applaud changes to the regulatory landscape that help lower systemic risk. However, in and of themselves, these proposed rules on capital requirements will have undesirable consequences for thousands of smaller institutions. Coupled with QM/QRM and the torrent of additional restrictions, limitations, reductions and requirements placed upon us over the years, these changes will accelerate the pace with which community banks are being forced into extinction.

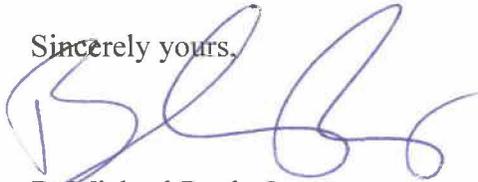
I believe that a common sense approach to capital requirements should take into account the size, nature and relative complexity of an organization. This is clearly not an area where a "one size fits all" approach should be used. Our \$850 million bank, which has managed to survive and prosper since 1857 by focusing on a small number of communities and products that we know, is inherently less risky to our customers and the world at large than a bank that is 2,500 times our size in assets, doing business around the globe, offering products and services that only a handful of individuals really understand. The way we are regulated in general, and the amount of capital we should each be required to maintain in particular, should reflect this difference in risk.

B. Michael Rauh, Jr.
President
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I had the opportunity to hear Chairman Gruenberg speak at an ABA conference this spring and I remember him saying that in spite of having only 10% of the nation's bank assets, community banks account for 45% of loans to small businesses. This is just one small example of the importance of community banks, and what makes our economy among the strongest in the developed world and our collective standard of living the envy of the global community. It's nice to see big banks advertising on television and at major league ballparks, but it is the work of community banks and community bankers in our own neighborhoods that weaves the fabric of America. It's difficult to understand this distinction if you've never experienced it, but if you spent a week among us you would come to appreciate the vital role we play, and the importance of creating a regulatory framework that doesn't threaten our fundamental business model.

I strongly encourage you to consider an alternative approach to capital requirements that takes an institution's risk profile into account. It may well be that the proposals in their current form are appropriate for banks that are determined to pose a "systemic risk". But for the rest of us, I respectfully request that you seek a more balanced approach that will allow us to continue the good work that we do, while protecting our customers and the nation.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "B. Michael Rauh, Jr.", with a stylized, cursive flourish extending to the right.

B. Michael Rauh, Jr.
President and CEO