



Mr. Robert E. Feldman  
Executive Secretary  
Attention: Comments/Legal ESS RIN 3064-AD95  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

Dear FDIC,

I, the undersigned community bank director hereby submit this letter to urge the Federal Deposit Insurance Corp. (our primary federal “banking regulator”) to exempt community banks from the proposed implementation of Basel III in the United States and to allow community banks to continue operating under Basel I capital regulations.

I believe the following:

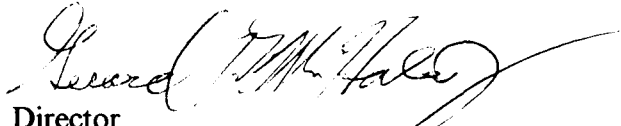
- Basel III was originally conceived to apply only to the largest, systemically important and internationally active banks.
- Imposing complex and excessive capital standards will threaten the nation’s economic recovery and limit lending, investment, and credit availability in Main Street communities.
- Basel III will force community banks to hire new compliance staff, compute complex risk weights for residential mortgages, and limit our loan offerings to meet the requirements of arbitrary risk-weighted buckets—which will result in disastrous and unintended consequences to the communities we serve.
- Community banks have lower risks because they operate under a relationship-based model that cannot be measured solely by imposing analytical capital standards.
- Including accumulated other comprehensive income (AOCI) as regulatory capital will dramatically increase regulatory capital volatility and require community banks to hold capital substantially in excess of regulatory requirements.
- The new rules will significantly alter the capital treatment of mortgage-servicing assets, deferred tax assets, and trust-preferred securities, requiring community banks to make major changes to our financial statements.
- Community banks do not have access to the capital markets, and subjecting them to capital measurement systems that causes capital ratios to fluctuate dramatically based upon the Fed’s interest rate policy is an extreme disservice to us.

Community banks wish to remain on Basel I, which more accurately aligns their regulatory capital with the type of assets they hold and the relationship model they follow. Therefore, we urge our banking regulator to exempt community banks from the Basel III proposal and allow



community banks to continue operating under the Basel I capital framework, which has served our relationship-based banking.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerard T. McHale". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

**Director**  
**First Community Bank of Southwest Florida**