BANK OF CANTON

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October 12, 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 comment on the Basel III proposals. I believe we all have a common goal to strengthen the banking industry and ensure that we can survive any future economic downturns that may come about in the future. An increase in capital requirements is one that is needed and an element of the proposal that I support. However, other parts of the proposal are a concern as they would appear to support larger banks and potentially reward non-bank originators of residential loans.

My Bank is $625 million in assets and just under $59 million of total capital. As of this writing, the Total Risk-based capital is 14.29% and our Tier 1 Capital is 8.62%. As written, provisions of the proposal will negatively impact these ratios and be detrimental to the Bank and community banks in general as outlined below.

The requirement that gains and losses on sale of securities must flow through to regulatory capital would serve to increase capital in the short term as most banks have gains within their portfolio. As interest rate rise, this inflated capital would be reversed. While the Bank's equity would be the same the regulatory capital ratios could change dramatically in a short period of time. The volatility of this could force banks to reduce the size of their balance sheet even as the economy begins to improve. Lending activity would be reduced as banks concentrate on maintaining capital ratios. Consumer and business customers would be negatively impacted by reduced availability of credit.

Our Bank currently has $10 million in Trust Preferred securities .The elimination of Trust Preferred Securities from capital will reduce our ability to grow our balance sheet and reduce the amount of loans we could provide and our communities to support job growth. Although these were grandfathered under Dodd-Frank, they are now being eliminated.

Finally, our Bank provides a significant number of residential mortgages to people in the communities we serve. This year alone we will originate over $1.0 Billion Dollars. The proposal to increase risk weighting for residential loans would threaten to significantly reduce our appetite for this type of loan or even eliminate this type of business. Residential lending provides significant value to the communities we serve and implementing this provision would severely impact those communities.

Other provision being propose such as an increase to risk weight on delinquent loans, change in risk weighting for home equity loans and increase risk weights on delinquent loans have a concern as well.

While an increase in capital ratios is warranted at some level, the cumulative effect of all items discussed will have a negative impact on the way community banks serve their communities and help strengthen the local economies. I would respectfully request you to consider these impacts with an eye to exempting community banks from a majority of these rules.

Sincerely.

William T. Treddin
Senior Vice President/Senior Lender
Bank of Canton
Canton, MA 02021