October 24, 2012

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Via email at comments@fdic.gov

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551
Via email at regs.comments@federalreserve.gov

RE: FDIC RIN 3064-AD95, FDIC RIN 3064-AD96, and FDIC RIN 3064-AD97

Dear Mr. Feldman:

BayCoast Bank has $932 million in assets at September 30; 2012and at this time has approximately $208 million in available-for-sale securities. How should our bank deal with the Basel III proposal, especially when interest rates rise again? Will we have to create an additional capital buffer as a cushion during value fluctuations? **If so, we are taking resources from customer needs and bank growth.** Should we limit our investments in longer duration assets? How will this affect local governments and the housing markets? This proposal could cause a number of banks to sell all or part of their AFS portfolios. Have federal regulators considered what impact this will have on the markets for those securities? We are concerned about how this proposal might impact our asset liability function and our liquidity and contingency funding plans.

We are a community bank and, as such, should not be thrown into the "mark-to-market" frenzy that has consumed other segments of the financial services industry.

When you combine this proposal with the increased risk weightings for mortgage assets that is also in Basel III **you are harming community banks as well as small communities.**

The net effect of all of the mortgage proposals is to drive the business to the large, multistate mortgage lenders to the detriment of community banks.

The most likely result of this proposal is that it will require us to raise more capital. Our earnings will also be impaired. Our regulatory burden will increase. **Most importantly, it will limit the availability of mortgages in the communities where we offer loans**.

We are already laboring in an environment involving increased regulatory scrutiny in compliance exams and the new burdens being placed on us by the Dodd-Frank Act. **Our compliance costs alone have increased significantly in the last 10 years.**

It appears that as proposed, Basel III will require us to change our internal reporting systems and the complexity of the data requests probably means that we will also have to install new software systems and/or look for third parties to provide them. **None of these requirements will allow us to help our customers in our community. The compliance costs will pull money out of capital and earnings rather than help our borrowers.**

The increasing cost of compliance for community banks is leading to more consolidation in our industry. Basel III, as proposed, will only accelerate this trend.

Federal regulators may not be troubled by a country that has only a handful of banks. From our perspective, community banks still serve a vital function in our economy. It would be a shame if these new international capital requirements help lead to their demise.

Respectfully submitted,

Monica Spach Curhan
Senior Vice President& CMO

cc The Honorable Scott Brown U.S. Senate
337 Summer Street
Boston, MA 02210

The Honorable John Kerry U.S. Senate
One Bowdoin Square
Tenth Floor
Boston, MA 02114

The Honorable Barney Frank, U.S. House of Representatives
2252 Rayburn Building
Washington, DC 20515

The Honorable James P. McGovern, U.S. House of Representatives
438 Cannon HOB
Washington, DC 20515

The Honorable William R. Keating, U.S. House of Respresentatives
315 Cannon HOB
Washington, DC 20515