From: Zan S. Prince

Proposal: 1442 (RIN 7100-AD 87) Regs H, Q, & Y Regulatory Capital Rules

Subject: Regs H & Y Regulatory Capital Proposals

Comments:

Good afternoon,

The banking industry has been effected by regulatory changes and economic conditions, but the industry operates under the safety and soundness principles that allow us to serve the lending and deposit needs of our community. This is especially true of community banks. Over the last few years, each crisis has resulted in additional regulations and standards that are not necessary or in the best interest of financial institutions or the communities they serve. The standards and regulations currently in place when properly managed by the financial institution and reviewed by the regulators are adequate to protect the insurance fund and the banking system. The United States banking system does not need an additional standard created or enforced by any entity, let alone an international group of central bank Governors. I have signed the petition to urge the Federal Reserve Board, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corp. (the "banking regulators") 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, but I also urge you to abandon the proposed adoption of Basel III for all financial institutions.

Basel III was originally conceived to apply only to the largest, systemically important and internationally active banks and should not be applied to the industry as a whole.
Community banks did not engage in the reckless behavior that contributed to the recent financial crisis and subsequent economic downturn and should not be penalized with additional regulation and capital requirements.
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 their loan offerings to meet the requirements of arbitrary risk-weighted buckets-which will result in disastrous and unintended consequences to the communities they 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 their financial statements.
Community and mutual savings 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 them.
Subchapter S corporation banks will be significantly affected by dividend restrictions imposed by the proposed capital buffer.

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 your organization to support the exemption of community banks from the Basel III proposal and allow them to continue to operate their banks under the Basel I capital framework, which has served their relationship-based banking models and this nation so well for over a generation. All United States banks should remain under the current capital and reporting standards. Changing rules in uncertain economic times does nothing to insure the stability or success of the affected institutions.

Thank you for your consideration.

Zan S. Prince