From: Robertson Banking Company, Peter M. Reynolds

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

Subject: Regs H & Y Regulatory Capital Proposals

Comments:

Robertson Banking Company's executive officers, directors, employees, business partners and customers, hereby submit these comments 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.

Consider the following:

Basel III was originally conceived to apply only to the largest, systemically important and internationally active banks. Community banks present no logical need to be internationally congruent with banks across the globe.
Community banks did not engage in the reckless behavior that contributed to the recent financial crisis and subsequent economic downturn.
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. Our bank currently does not have the necessary data to accurately calculate this risk weightings.and thus would have to expense a change or assume the highest risk weighting in various risk categories.

Community banks have lower risks because they operate under a relationship-based model that cannot be measured solely by imposing analytical capital standards. These risk parameters are punitive to existing lines of business that are of no significant impact to systemic risk.

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.
Banks are inherently long term financial entities, and thus have to be managed for the long term. Adding a volatile capital constraint would create some short term interest rate cycle practices that may be harmful to the bank. Our bank has been around for over 140 years, if we acted to reduce perceived capital risk under Basel III for short term cycles in years past, the unintended consequences would have reduced earnings possibly harming the institution over the long run.

The new rules lack inclusion of the risk buffer all community banks intensely manage for risk in their lending portfolio. The inclusion of Allowance for Loan and Lease Losses in its entirety is lacking from the new proposal. How can any accurate assessment be made concerning balance sheet risk without full inclusion of the Allowance for Loan and Lease Losses?

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. Our capital is raised locally, I really am not concerned about the potential investor (or international regulator) in Switzerland and his ability to read our financial statement based on the Basel III reporting requirements.

Subchapter S corporation banks will be significantly affected by dividend restrictions imposed by the proposed capital buffer.

Imposing complex and excessive capital standards will threaten the nation's economic recovery and limit lending, investment, and credit availability in Main Street communities.

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 the banking regulators to exempt 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.

We do not support adding another issue to balance sheet restraint in the face of one of the most complex financial laws passed in the history of banking. Our bank has already been forced out of lines of business because of either actual or perceived new risk / reward profiles created by compliance cost and concerns. Every addition of mandated practices through regulatory law will restrict money flow in the local economies, choking the velocity of money, and ultimately starving capital creation.

Thank you for considering these issues of major importance to our Main Street economies throughout the country.

CC: Senator Richard Shelby
CC: Senator Jeff Sessions
CC: Representative Spencer Bachus

Peter M. Reynolds, Jr.
Robertson Banking Company