October 19, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Ms. Johnson:

Re: Basel III Capital Proposals

Thank you for the opportunity to provide comment on the Basel III proposals[1] that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. The complexities of the BASEL III capital standards, as introduced, would be devastating to community banks. The standards would have a chilling effect on the extension of credit, at a time our economy desperately needs the lending activities we provide.

Nebulous and frequent adjustments to capital calculations will result in uncertainty and hesitancy at banks across the country. Since banks will be unwilling to risk violating additional capital requirements, lending activity could slow. Risk weightings, particularly on residential mortgages, will impact the bank in multiple ways, previously unanticipated.

Clearly, the concept of BASEL III capital standards was never intended for banks not systemically concentrated, such as community banks. But make no mistake, community banks all across the US will have their business models changed in ways that will impact access to capital for small business, agricultural, residential, and consumer lending purposes. Therefore, I am requesting the banking regulatory authorities to clearly exempt community banks from BASEL III.

Sincerely,

Michael L. Baker
President
State Bank of Lizton
P. O. Box 170
Lizton, IN 46149

---

[1] The proposals are titled: *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions; Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements; and Regulatory Capital Rules: Advanced Approaches Risk-based Capital Rules; Market Risk Capital Rule.*