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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

Re: Basel III Docket No. R-1442

Dear Ladies and Gentleman:

Thank you for the opportunity to comment on the Basel III proposal. They will be brief and to the point. There are numerous areas of Basel that would make most Community Banks non-compliant. We shall address only two.

We are a small 70MM bank with 23 FTE's. On mark to market accounting of loans on a monthly basis, that would simply be an impossible task for us and probably another 6500 banks to accomplish. Cattle and grain prices change daily as well as weights and estimated yields. We inspect feeder cattle every six months and a cow calf operation once a year. Doing it monthly would make a liar out of everyone.

I am deeply concerned about the mark to market accounting on Community Banks securities portfolio. Two pillars of banking are Capital and Liquidity. If banks put all their securities in held to maturity to escape the mark to market accounting, they have needlessly damaged their liquidity. If they start buying only six month treasuries so they will not have any volatility, they have sacrificed earning and damaged their capital. We have 8MM in capital and have about a 1.5MM gain in the securities portfolio. Currently, neither gains nor losses are included in the calculation of tier one leverage capital. We have no intention of selling our portfolio to capture all of the gains available; however all of our securities are in available for sale if we ever did need to sell some of them. Rates will rise at some point and for measurement purposes if we rate shocked our portfolio 300 basis points we would have a loss in the portfolio of approximately 4MM and according to Basel, this amount would be deducted in calculating our tier one leverage ration. Our bank is very safe and sound and according to Basel we would have to eliminate half of our capital. I do not think that is an intended consequence the regulators would like to see or have to deal with. It would not change the safety and soundness of our institution, but it would put us close to the regulators having to place us in "prompt corrective action". Who has that helped at this point? Unintended consequences are rife throughout the Basel proposal.

This is bad policy for all Community Banks.

Sincerely,

Craig Meader

Craig Meader
CEO First National Bank of Kansas