Peoples Bank

Service You Expect...
People You Trust

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

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street, N.W.
Washington, D.C. 20429

Re: Basel III Capital Proposals

Ladies and Gentlemen:

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.

In reviewing the proposed changes incorporated into Basel III, I feel that community banks would be negatively impacted by rules that were designed for large international banks. Community banks fill specific needs and services in their communities. They do not engage in the complex transactions and loans that Basel III is designed to regulate.

For instance, the inclusion of accumulated other comprehensive income in capital could cause wide fluctuations to the capital levels for community banks and have the possibility to rapidly decrease capital levels under certain financial conditions. At my bank, for instance, if interest rates increased by 300 basis points, my bank's bond portfolio would show a paper loss of $3,000,000. This would mean that my bank's tier one ratio would drop by 2.00%.

---

[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.*

Typically these these amounts have resulted from investments that are secondary to the operations of the community banks. In times of excess liquidity banks have still taken in community deposits and invested those funds in lower yielding securities. If the changes in values of these securities have the possibility to negatively impact capital levels of the banks community banks will move to decrease deposits by lowering rates or increasing fees to their customers.

I also feel that the new risk weighting system placed on certain loans in too complicated and burdensome for community banks. Increasing risk weighting for certain loans will force the community banks to eliminate these products from the communities that they serve. This will remove funding opportunities or increase prices to the consumer that at this point in time in our economy we desperately need. Community banks are already stretched thin due to all of the government regulation and rules. Increasing these requirements on community banks will only make the situation worse. There needs to be a distinction from community banking and large, multinational banking.

These are only a couple of examples of the impact that will happen if Basel III is applied to community banking. I feel that we need to separate community banks from the large banks that caused the financial problems that our economy is facing today. More regulation will not benefit the consumer. It will only force community banks to eliminate products or increase fees. Please reconsider all of these outcomes before moving ahead with this proposed regulation.

Sincerely,

Ryan M Sievers

Ryan M. Sievers, CFO
Peoples Savings Bank
Indianola, IA