First National Bank
Minnesota
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October 15, 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.

First National Bank Minnesota is a $191 million community bank with offices located in three communities serving south central Minnesota. We are both shocked and dismayed at the regulatory agencies intent to apply the Basel III capital standards to *all* banks rather than only to the internationally active and systemically important banks intended by the Basel committee.

As you have heard from scores of community bankers, this will decimate the Main Street community bank from participating in many meaningful financial products that their neighbors and small business entrepreneurs come to expect such as residential mortgage and construction loans as well as certain business lending. Some believe that this blatant assault on community banks is just the continuation of regulatory burden meant to eliminate the community bank and leave all financial services in the hands of only a chosen few. When regulatory proposals such as this one comes up, you can hardly blame someone from adopting that mindset.

[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.*

The regulatory agencies already have many tools at their disposal to address inadequate performance of individual community banks by way of Prompt Corrective Action, Formal Agreements, Individual Minimum Capital Ratio agreements, and the like. The fact that the regulatory agencies did not effectively use these available tools earlier in the process for every bank that failed should not be a broad-brushed penalty to the remaining banks. Further, we can all agree that the vast majority of community banks did not indulge in the risky behavior that caused the recent economic debacle and mortgage market meltdown precipitating those unfortunate failures.

Since there is no part of this particular proposal that we can support, we can only suggest that the agencies reconsider the imposition of the Basel III capital standards on all financial institutions. Instead, we recommend that the agencies follow through with their previously supported tiered application philosophy and only impose the Basel III requirements on internationally active and systemically important financial institutions and allow community banks to remain under the Basel I standards.

Sincerely,

Michael W. Bresnahan
President/CEO

Kenneth C. Westphal
Chairman of the Board

Thomas P. Frederick
Director

Merton R. Wenner
Director

Mark E. Davis
Director

Lee H. Pell
Director