RelìantBANK
Franklin

October 9, 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.

I have been active in community banking for more than thirty years. I have acted as an external auditor and consultant and have now served as a Chief Operating Officer and Chief Financial Officer for twenty years. My views and opinions are based on that experience.

The regulatory environment has never been more onerous than it is today for community banks. The costs complying with regulations continue to skyrocket and will soon drive many of the community banks that have served communities across the United States out of business.

Basel III adds another layer of regulation on community banks that is senseless and not relevant to the risks associated with their operations. They were designed for institutions that have multi-national operations and are active in financial transactions totally foreign to community banks. Community banks that are currently well capitalized under the current Basel standards could easily become less than adequately capitalized through nothing more than a sudden shift in interest rates. The inclusion of accumulated other comprehensive income is unnecessary and could create extreme volatility to community bank capital ratios. Risk weightings are too complicated and will penalize community banks and jeopardize the housing recovery. The

[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.*

capital conversion buffer may be difficult to achieve under the proposal. Systemically, the community banking system could look much worse through the implementation of these standards than the economics of their operations would suggest resulting in reputational issues that are unwarranted. Further, community banks are generally unrated by rating agencies but attempts are made by several "watch dog" companies (e.g. bankrate.com) to give some rating to community banks for consumers to use in evaluating the soundness of a particular community bank. These "watch dog" companies use metrics including capital ratios to make their assessments. Basel III implementation to community banks will only cause ratings by these companies to decrease again resulting in reputational damage and possibly liquidity issues for many community banks.

I strongly urge you to consider the potential negative impact of these proposed standards and remove community banks from having to comply.

Sincerely,

J. Daniel Dellinger
COO and CFO