THE
Rawlins
NATIONAL BANK
MEMBER FDIC
Community Minded.
Just like you

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
Delivered via email at:
regs.comments@federalreserve.gov

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219
Delivered via email at:
Regs.comments@occ.treas.gov

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street, N.W.
Washington, D.C. 20429
Delivered via email at:
comments@FDIC.gov

Re: Basel III Capital Proposals

Ladies and Gentlemen:

I appreciate this opportunity to provide comment on the Basel III proposals 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 currently proposed Basel III capital rules ultimate effect will be to make community banks less safe and sound, their capital more volatile and unstable which results in banks being less able to serve our customers and communities.

The Rawlins National Bank has concerns regarding the proposed Basel III capital requirements. Many of the provisions of Basel III are a "one-size-fits-

all" approach and are designed to address large banks and the highly leveraged activities in which large banks participate. Unfortunately, the proposed Basel III capital requirements will have an adverse and negative impact on community banks like ours.

The Rawlins National Bank is a 112 year old community bank with five banking locations in Rawlins WY, Saratoga WY, Hanna WY and Longmont CO. The Rawlins National Bank remains well capitalized even though the economy and market conditions have been difficult the last few years.

A primary area of concern in Basel III capital proposals regards accumulated other comprehensive income calculation in capital. The current low interest rate environment has produced large gains in our securities portfolio that will increase capital under Basel III. When interest rates increase, these gains will be eliminated and correspondingly reduce bank capital. If interest rates adjusted rapidly, it may be difficult to maintain adequate capital, and also difficult to perform predictable capital planning under Basel III with the unpredictability of gains or losses as a component of capital. Our bank has purposely maintained with a short duration security portfolio to minimize the impact on the value of equity when interest rates change. We do not engage hedging activities to aid in insulating us from interest rate swings, nor do we want to due to its complexity. Community banks need to be excluded from including accumulated other comprehensive income from the capital calculations.

The calculations required for measuring the numerous risk weights in the various asset categories proposed will be onerous and difficult for small community banks. Also, increasing the risk weights for second liens will have an impact on the customers in the markets that we operate. We have had very few losses in these types of loans and to discourage banks from making these loans due to increased capital requirements will harm and disadvantage the borrowers that utilize these products. Additionally, requiring higher risk weights for balloon loans will force banks to take higher interest rate risk by fixing the interest rate for longer terms than comfortable for community banks.

We are a Sub S corporation. Capital conservation buffers are a concern since income taxes on behalf of the bank are paid by shareholders. As previously indicated, we are well capitalized and this should not be an issue. We would never pay a distribution for taxes that would reduce capital levels below the minimum capital requirements, but some Sub S banks might be forced to drop below the conservation buffer levels to meet income tax distributions to its shareholders. We therefore recommend that there be exceptions and that

the conservation buffer levels be suspended when there is taxable income to the shareholders and distributions for income taxes be allowed.

These are the concerns that primarily affect The Rawlins National Bank. There are many other Basel III concerns that effect many other community banks that I will not address here. In summary, the Basel III capital requirements should not be applied to community banks and the continued use of the current Basel I for computing capital should be continue. The proposed Basel III capital rules ultimate effect will be to make banks less safe and sound, their capital more volatile and unstable which leave banks less able to serve our customers and communities.

Thank you for your consideration.

Sincerely;

Richard Chenoweth
President & CEO

Cc: Senator Michael B. Enzi
Senator John Barrasso
Representative Cynthia M. Lummis
American Bankers Association