CACHE VALLEY BANK

Member FDIC

October 22, 2012

Federal Reserve Board
Washington, D. C.
By email

Dear Sirs,

We are a $520 million community bank that did not anticipate any impact from the Basel proposals that we believed were being designed for international institutions to reduce the exposure of too big to fail. With the determination that it will apply to all institutions, we now find that are limited understanding of the 250 pages defining capital for our institution will be overwhelming. It appears that regulators have again lost their focus on what the real intent of the proposal was and have determined that what is good for large institutions would serve the smaller ones as well.

Obviously arguing limiting capital requirements based on recent history would be consider wise. However, the determination to apply 250 pages of regulation to measure capital also seems to be an overreaction and a significant extension of the original purpose that lacks reason.

Our concerns based on our ability to do a limited review include:

The volatility created in calculating capital by including the Accumulated Other Comprehensive Income in the Tier 1 number.

The continuation of the cap of 1.25% of ALLL in Tier 2 which continues to penalize institutions for being aggressive in building the first level of protection for credit losses.

The need to drastically change risk weights on mortgage loans that will create considerable costs to track and discourage serving customers that don't fit cookie cutter programs.

The phase in of the buffer that appears to just raise the definition of well capitalized as we reach the end of the decade.

The impact on our institution is extremely difficult for us to project because we presently do not have the coding of assets in place to determine proper weighting for most assets. We historically have operated as directed by our board with a considerable capital buffer to insure we do not have difficulties with our regulators. The proposed inclusion in BASEL III will require our institution to purchase software and possibly outside consulting service provided by former regulators to determine the adequacy of our capital.

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I believe former regulators with much greater acumen on this topic than I have proposed that the best solution would be to simplify for smaller institutions the capital proposals and start over with what is being proposed for the mass of America's institutions. We feel this advice should be considered.

Sincerely,

J. Gregg Miller

J. Gregg Miller
Chairman, President and CEO