

From: Peoples Bank, David K. Johnson  
Proposal: 1442 (RIN 7100-AD 87) Regs H, Q, & Y Regulatory Capital Rules  
Subject: Regs H & Y Regulatory Capital Proposals

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Comments:

Thank you for the opportunity to provide comment on the Basel III proposals that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively the "banking agencies"). Please consider this letter as my personal protest to the implementation of Basel III on small banking organizations.

I hold the controlling interest in a \$100 Million dollar bank that was founded in 1907. My father was an airline mechanic and my mother sold Stanley Home Products. I started as a teller and now own my own bank. Our primary focus is lending to small businesses. If Basel III is forced on my bank it will cause serious consequences resulting in a significant decrease in small business lending. In that the Federal Government and FDIC have allowed trust preferred securities to be counted as capital, I have been able to double the size of the bank over the last nine years. To arbitrarily take away that capital source will damage my bank and others like me. I'm not sure how this benefits anyone.

Thirty percent of my equity capital is tied to Trust Preferred Securities. It is illogical and incomprehensible that the Government would arbitrarily decide to eliminate thirty percent of my equity capital over the next few years and call it good for the stability of our banking system!

I will reduce my small business lending by one third. In the long run, I will have to borrow from a commercial bank to replace the trust preferred that is no longer available as capital, increasing leverage and risk.

Large banks have little interest in lending to small businesses. We, on the other hand, make a living lending to these entrepreneurs. Imposing more regulation on small banking, just as we are recovering from the slump of 2008, 2009, and 2010, is unbelievable and very damaging.

The proposed rule should be revised to fully recognize the intent of the Collins Amendment by permanently grandfathering outstanding Trust Preferred Securities for institutions under \$15 Billion.

The small businessman is the real victim as a result of this regulation. Eliminating capital is not a way to improve the strength of small banks. I respectfully request that small community banks be exempt from Basel III, and that we could continue the use of Trust Preferred as a part of capital.

Please help the community bankers and small business owners by leaving Trust Preferred Securities out of the equation!

Sincerely,

David K. Johnson  
Chairman, President & CEO

Peoples Bank