October 19, 2012

BRISTOL COUNTY SAVINGS BANK
Commitment. Stability. Community.

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
Attn: Comments/Legal ESS
550 17th Street, N.W.
Washington, D.C. 20428
Delivered via email: comments@FDIC.gov

Office of the Comptroller of the Currency
250 E Street, S.W.
Mail Stop 2-3
Washington, D.C. 20219
Delivered via email: regs.comments@occ.treas.gov

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C.
Delivered via email: regs.comments@federalreserve.gov

Re: Basel III Capital proposal

Ladies and Gentlemen:

On behalf of the Board of Directors and Officers of Bristol County Savings Bank, we appreciate the opportunity to present this letter of comment concerning the Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and the Board of Governors of the Federal Reserve System's (collectively the "Agencies") consideration of the adoption of the new Basel III capital standards as recently proposed. We applaud Agencies' objective of improving the safety and soundness as well as the transparency of the banking system in the United States. However, as dedicated and focused community bankers, we have many serious concerns and reservations about this proposal. We regret that we are unable to support these proposed new capital standards as they are currently being presented.

Bristol County Savings Bank is a $1.4 billion mutually owned, independent community bank based in Taunton Massachusetts. As a community financial institution, our primary business focus is to meet the credit needs of individuals, businesses and not for profit organizations in the communities where we operate here in Southeastern Massachusetts and northern Rhode Island. Our loan funding needs are met by gathering core and term deposits from customers in the communities where we maintain a retail branch presence. Accordingly, our balance sheet has nowhere near the same degree of complexity and risk of large, systemically important national or multi-national financial firms to which these proposed capital standards have been focused. We are very proud of the fact that throughout the financial crisis of 2008-2009, we have maintained very strong levels of core and risk based capital. As such, as of the end of September 30, 2012, our Tier 1 leverage capital ratio was 12.8%%, our Tier 1 risk-based capital ratio was 16.6%, and our total risk based capital ratio was 18.2%. Each of these is well above the current minimum regulatory capital requirements for well-capitalized institutions.

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We believe the Basel III Capital Rules were developed to address the risks inherent to global banking enterprises, whose balance sheets and business activities are far more complex in terms of scope and magnitude than those of community banks. Typical community banks like ours engage primarily in lending, investing and deposit gathering activities that are focused on the market areas where they are located. It is a well known fact that community banks had no role to play or responsibility for the financial crisis of September 2008. The Basel III Capital rules clearly are intended to address the risks of activities of the large, multi-national commercial banks and large investment banks that were to blame for the crisis. For reasons that make little sense to us, it appears that the Basel Committee in Europe as well as the Banking Agencies here in the United States is grouping community banks like ours in with these large global banking enterprises whose business focus and inherent risks could not be any more different than ours.

We agree that sufficient levels of capital are necessary to maintain a safe and sound banking system here in the United States. As the Agencies are well aware, community banks have worked aggressively to build capital levels during an extremely challenging economic environment of the last four years. Yet the new Basel III Capital Standards, as proposed, give no credit to the banks' success in generating higher levels of capital. In particular, the requirement calling for a new Common Equity Ratio, new Tier 1 Capital Ratio minimum of 6%, new Total Capital Ratio requirement of 8% as well as a new Capital Conservation Buffer place punitive demands on community banks who do not have the same level of access to the capital markets as large global financial companies do in the event that new capital is needed. Furthermore, mutual institutions like ours are placed at an even greater disadvantage should new capital be required.

As previously mentioned, the Basel III proposal calls for a new Common Equity Ratio that includes, among other things, accumulated other comprehensive income within the equity section of bank balance sheets. At Bristol County Savings Bank, our accumulated other comprehensive income is composed of the unrealized gains and losses on investment securities classified as available for sale net of related taxes, as well as the funding status of our defined benefit retirement plan, also net of related taxes. These items are directly impacted by movements in both long and short-term interest rates, and as such present a new and unnecessary source of volatility in the calculation of regulatory capital. In our view, this added volatility does nothing to strengthen the safety and soundness as well as the transparency of the banking system here in the United States.

In addition to the concerns expressed above, we are very alarmed at the magnitude of the proposed changes in risk weight requirements of a bank's risk-based assets. Of particular note, the potential for substantially higher risk weights on first lien, single family residential mortgages ranging from 35% to 100% is a definite concern. Even more worrisome is the potential for risk weightings for commercial loans and mortgages as well as delinquent loans where the risk weightings may range from 150 to 200%, with private mortgage insurance coverage not being credited. This suggests to us that the new capital rules will reduce our capacity to make loans, and as a result, will greatly diminish our lending activity with the individuals, businesses and not for profit organizations in our community. As the Agencies are well aware, these lending activities are central to the community banking business model, and have been successfully carried out throughout our nation's history. We see no benefit to the curtailment of lending activities here in our market areas when they are needed most in this very fragile economic environment.

Community banks have historically engaged in profitable, diversified investing activities as they have efficiently and prudently managed their balance sheets. In addition to investing in U.S. Treasury and federal agency fixed income and mortgage-backed securities, community banks have maintained portfolios of high quality, investment grade corporate bonds and obligations, asset-backed securities and in select circumstances, marketable equity securities. We note that the proposed Basel III capital rules call for a range of risk weights of 300% to over 1,000% for banks that hold these securities in their portfolio. We are unable to understand the benefit of these punitive risk weightings, when community banks have successfully managed their investment portfolios for years, particularly through the financial crisis of September 2008.

We'd like to call your attention to the fact that here in Massachusetts; many state-chartered mutual savings banks have maintained well-managed, diversified, high quality and profitable portfolios of marketable equity securities. Here at Bristol County Savings Bank, we own a high quality portfolio of blue-chip, large capitalization stocks with a market value that exceeds $80 million as of the date of this letter. Our portfolio has been in place for many years, and has provided us with a steady stream of tax advantaged dividend income as well as realized capital gains that add significantly to our base of non-interest income. Furthermore, we have made use of appreciated shares of common stocks from our portfolio to fund the Bristol County Savings Charitable Foundation. The Bristol County Savings Charitable Foundation, established in 1996, has provided over $9 million in funding to deserving community organizations based here in Bristol County and throughout northern Rhode Island. We believe the 300% proposed risk weighting for marketable equity securities unnecessarily penalizes our Bank for engaging in beneficial and profitable investing activities, as well as our commitment to philanthropy in the communities we serve.

Based upon the foregoing, we urge the Agencies to halt the implementation of the Basel III Capital Rules as proposed and carefully consider the unintended consequences that will result from this "one-size fits all" approach for measuring and reporting regulatory capital. We think these rules are too complicated, hastily conceived, and excessively punitive to community banks like Bristol County Savings Bank. If adopted, the Basel III Capital Rules will needlessly reduce our strong capital ratios as detailed previously, while our fundamental business model and strategic mission have been unchanged. We believe that these rules, as proposed, will have potentially devastating consequences for community banks, our economy and our communities.

We would be delighted to discuss these matters and concerns in more detail if it would be of assistance to the Agencies. We can be reached directly at (508)828-5303 and (508)828-5317 or by email at pat.murray@bcsbmail.com and dennis.leahy@bcsbmail.com. Thank you for your consideration of our concerns.

Sincerely,

Patrick J. Murray, Jr.
President & CEO

Dennis F. Leahy
Executive Vice President,
Treasurer & CFO

CC: Hon. John Kerry, United States Senate
Hon. Scott Brown, United States Senate
Hon. Barney Frank, United States House of Representatives