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**STATE CORPORATION COMMISSION**
**BUREAU OF FINANCIAL INSTITUTIONS**

October 18, 2012

Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Dear Sir or Madam:

Comment has been invited by the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Comptroller of the Currency on the joint Notices of Proposed Rulemaking (Notices) pertaining to the Basel III capital accords and Standardized Approach for Risk-Weighted Assets.

The Notices has been carefully reviewed, as have the comments submitted by the Conference of State Bank Supervisors (CSBS) dated October 17, 2012. I generally support the comments filed by CSBS. While I also support what I understand to be the intent of the Notices to determine an appropriate level of minimum capital for banking institutions, I suggest that both the requirements and the proposed methodology for calculating required capital are unnecessarily complex and would benefit from, at the very least, substantial simplification, especially for community banks.

I think it can be agreed that the evolution of risk, both type and degree, in some banking institutions has not been recognized adequately in the past by some regulators. There has been and may now be a tendency on the part of regulators to attempt to identify and anticipate sources and amount of risk to institutions and to prescribe methods by which institutions may insulate themselves from or remove such risks. An unfortunate consequence to rely on regulators for what should be the responsibilities of boards of directors and management has resulted. In other words, institutions have been burdened or been forced to rely upon regulatory rules and guidance (which has the same perceived force as rules) rather than their own judgment.

There is evidence, and much has been written and discussed publicly, regarding how regulatory processes and policies have been impeding the functions of banks, particularly community banks, thereby slowing economic recovery and impairing the growth and development of small businesses. For example, the kinds of loans needed to promote economic recovery in Virginia, and the kinds of loans historically made by Virginia community banks intended to benefit the community, are now expected by bankers to be categorically criticized by regulators as hazardous to a bank's health; and bankers are no longer considering making such loans, and in some cases are "calling" loans for fear of even more regulatory criticism.

I believe the Notices will place even more burden on banks and further aggravate problems with lending, raising capital and economic recovery. I also believe great caution here is absolutely essential. I strongly urge that you consider the negative implications of this Notice in comparison with the uncertainty of any tangible benefits which might be anticipated. It is, of course, understood that there are problems to which solutions must be sought, but there are clearly detrimental results with the Notices with respect to the future of banking.

I appreciate the opportunity to express my viewpoint.

Very truly yours,

E. J. Face, Jr.