From: J. P. Stone Community Bank, Steven Dement, Operations/Credit Analyst

Proposal: 1442 (RIN 7100-AD 87) Regs H, Q, & Y Regulatory Capital Rules

Subject: Regs H & Y Regulatory Capital Proposals

Comments:

October 15, 2012

To whom it may concern

RE: Basel III Exemption for Community Banks

This letter is regarding the proposed regulations from Basel III.
As an employee at James Polk Stone Community Bank in Portales, NM, I have much concern with the Basel III. This bill should not be applied to smaller banks, who pose minimal risk to the economy as compared to the larger banks with assets greater then 2 billion.

The Financial Stability Oversight Council has designated many firms as Systemically Important Financial Institutions, and this is where the Basel III needs to be implemented. Not with the small community banks, who are and have been meeting there financial regulations. Many community banks, the one I am employed at for example, are well above the current stated capital requirements. Why then are we facing the consequences and being burdened by what a percentage of the banks were apart of leading into the 2007 financial crisis. Bloomberg.com posted an article in July of 2011 stating that 10 of the largest banks in America held 77 percent of the domestic assets in the banking system. This is where the Basel III needs to be implemented. Bills like the Dodd-Frank and Basel III are burdening community banks, and decreasing their ability to serve the communities and provide desirable loans. The Basel Panel has already stated that most community banks meet the new financial requirements and that it is the larger banks that need to increase the capital. The Basel III is just going to increase paperwork, compliance, and bring a more complex computation to show that we already meet the proposed capital requirements.

An alternative to all these actions would be to reinstate the Glass Steagal Act, causing all firms who are participating in both, commercial banking and investment banking, to split there operations. This would decrease many risks involved in this type of behavior from many banks, and force them to divest there operations, also decreasing the risk of becoming "To Big to Fail." Increasing capital requirements will only temporarily alleviate the problem of the largest banks in the United States from becoming to big. I believe that reinstating the Glass Steagal Act could permanently alleviate this risk, along with alleviating the risk of customer deposits being involved in the investment banking activities.

Sincerely,

Steven Dement, CBAP
Operations/Credit Analyst
J. P. Stone Community Bank

Fax 575-356-6777