From: Thomas Buxton

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:

I am a vice president of audit of The Bank of Missouri, a $900 million bank headquartered in Perryville, MO, with locations in the Missouri towns of Perryville, Cape Girardeau, Jackson, Marble Hill, Columbia, Springfield, Republic, Ozark and Branson. We are regulated by the FDIC. Our holding company is regulated by the Federal Reserve Bank of St. Louis.

I am writing in opposition to Basel III. While I do believe there should be higher capital requirements, perhaps by increasing the minimum and "well capitalized" levels , Basel III is the wrong approach and will result in many small community banks deciding to sell out, which will often leave the towns in which they are located without banking services.

Basel III is too complex and costly for many small banks to implement. Small banks are already struggling keeping up with dozens of 500 and 1,000 page regulatory proposals being issued pursuant to Dodd Frank and the tedious and time consuming implementation required. Due to this, many bank owners are ready to throw in the towel and sell out to larger competitors. This sometimes leaves a community without a bank or with a bank owned by much larger owner who doesn't care about the community as much. It becomes much more difficult for residents and businesses in these small town to obtain credit.

One other problem with Basel III is that any depreciation in the bank's investment securities must be deducted from capital. The impact of this is that banks will be more reluctant to purchase investment securities, which will tend to increase borrowing costs to municipalities, Federal Agencies and even the U.S. Treasury. Our bond dealers have told us that it is common for the equity of banks to decrease 15% to 20% in the event interest rates increased 300 basis points, meaning banks will either have to purchase fewer investment securities or maintain more capital.

Community banks were not the cause of the 2007-2008 financial crisis. Basel III should apply only to the very large U.S. banks, perhaps banks over $10 billion in equity. The current capital requirements are working well on the smaller banks.

Thomas Buxton