EMPRISE FINANCIAL CORPORATION

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October 16, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
regs.comments@federalreserve.gov

Office of the Comptroller of the Currency
250 E. Street, SW
Mall Stop 2-3
Washington, D.C. 20219
regs.comments@occ.treas.gov

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
comments@FDIC.gov

The Honorable Ben Bernanke
Chairman of the Board of Governors
Federal Reserve System
20th Street and C Street, N.W.
Washington, D. C. 20551

Re: Basel III Regulations proposed by the FRB, FDIC & OCC

Ladies and Gentlemen:

Emprise Financial Corporation is a privately held bank-holding company which owns Emprise Bank, a $1.5 billion community institution with offices in 24 communities in the State of Kansas.

Others in our organization and in the banking community have provided you with very detailed comments regarding the over 1,000 page Basel III proposal. I want to make the following comments as to why Basel III should not be implemented especially for non-complex banking organizations under $15 billion in size:

a. The complex and burdensome proposal, and the requirements for compliance will significantly add to the already untenable cost of all banks' regulatory burden without any significant increase in safety and soundness. This complexity is not needed; a simple capital standard such as the leverage ratio (tangible capital divided by tangible assets) could be used with higher levels required for more complex balance sheets and/or off balance risks rather than using internationally dictated capital standards and arcane risk weightings.

b. There will be unintended consequences to banking organizations' liquidity and ability to provide loans to the communities they serve due to the inclusion of "accumulated other comprehensive income" (AOCI) in regulatory capital. Banks will be forced to move more of their investment portfolio into the "held to maturity" category which will in turn reduce liquidity which further reduces their ability to provide funding for loans, their ability to provide liquidity during a financial crisis and to manage their interest rate risk. Current accounting rules for impaired assets already address the other than temporary impairment of investments as a reduction in earnings, and in turn, capital. AOCI can fluctuate dramatically due to interest rate changes but AOCI does not consider the impact of rate changes on the whole balance sheet. Banks are already managing interest rate risk for their whole balance sheet, not just their investment portfolio. Adding AOCI in regulatory capital is reactionary and uncalled for and does not take into consideration the banks' management and the monitoring by their primary regulators of interest rate risk.

c. It is also likely that banks will shrink the deposit base due to higher capital requirements and look to assets which provide higher returns to compensate for higher capital requirements, i. e. assets with higher risk profiles. There is also potential of reduced lending in local communities, especially in the 1-4 family residential mortgages due to the proposal changes in risk weightings.

d. The elimination of trust preferred securities (TRUP's) from Tier I capital for institutions under $15 billion contradicts the Dodd-Frank Act and will limit growth potential to serve the communities for those organizations retaining TRUP's, including our organization.

While not directly pertaining to this Basel III discussion, I would like to make an editorial comment regarding those U. S. Banks that are considered as "too big to fail"; you should require them to hold much higher tangible capital than currently carried to compensate for this explicit government guarantee that we community banks don't have but pay for through our FDIC assessments.

In conclusion, I have only presented the issues that will have the largest negative impact on our institution and its ability to serve our communities. The United States is a sovereign nation and I believe it should not delegate the crafting of capital standards for community banks in the United States to an international organization. Our community banking system works well and does not resemble the mega banks of the world. Basel III should not be adopted.

Sincerely,

L Thomas Veatch

L. Thomas Veatch
Emprise Financial Corporation
CFO and Senior Vice President

LTV/mm

cc: The Honorable Pat Roberts
United States Senate

The Honorable Jerry Moran
United States Senate

The Honorable Mike Pompeo
United States House of Representatives

The Honorable Tim Huelskamp
United States House of Representatives

The Honorable Lynn Jenkins
United States House of Representatives

The Honorable Kevin Yoder
United States House of Representatives

Mr. Ross Crouch
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