Landmark Bank

October 16, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, D.C. 20551
E-mail: regs.comments@federalreserve.gov
Subject: Basel III Docket No. 1442

Office of the Comptroller of the Currency
250 E Street SW
Mail Stop 2-3
Washington, D.C. 20219
E-mail: regs.comments@occ.treas.gov
Subject: Basel III OCC Docket ID OCC-2012-0008, 0009, and 0010

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429
E-mail: comments@FDIC.gov
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97

Ladies and Gentleman:

Landmark Bank is a $1.7 billion community bank serving 28 small and medium sized markets in Missouri, Oklahoma and Texas. Family owned since 1907, the bank practices old fashioned, hometown banking, collecting local deposits and supporting local community businesses and individuals with professional and responsive financial services. Modern, feature rich products combined with active community involvement by local bankers have played key roles in the bank's long term success.

As we are a community bank, this letter is intended to express my concerns regarding the Basel III NPR as it has been presented and the impact the rules will have on community banks. I believe this rule, if implemented, will be damaging to the majority of banks in the United States, certainly to community banks, and to the overall economy. This rule does not fit the risk profile and lack of complexity of community banks. The standards set forth in Basel III were developed for countries without community banking, and these proposed rules would be most punitive to the economic viability of community banking in the United States.

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I would like to specifically comment on two of the proposed changes which are particularly relevant to Landmark Bank: the requirement that all unrealized gains and losses in available for sale securities (AFS) must flow through to common equity tier 1 capital; and the change in treatment of Trust Preferred capital, namely the movement of this form of capital from Tier 1 to Tier 2 status for all banking companies in sizes ranging down to $500 million in assets.

Landmark Bank has a securities portfolio of $381 million as of June. Nearly all of the securities are classified as AFS. The adoption of this proposal will cause us to seriously consider selling many of the AFS securities and/or reclassify from AFS to HTM. Even the proposal itself has caused us to consider switching many of the AFS securities to HTM while interest rates and market values are favorable, since we do not know what interest rates will do, and do not know whether this proposal will be adopted when rates and therefore market values have turned against us.

The consequence of the proposed changes to include unrealized gains/losses associated with AFS securities in regulatory capital will fundamentally cause more instability and unpredictability in the level of a bank's capital. We therefore request that the Basel III proposed rules be revised to remove this condition.

Our bank holding company has over $35 million in Trust Preferred securities. These securities have provided an important source of tax-advantaged capital, during a period of time when capital raising has been especially challenging for community banks. We note the proposed changes by Basel III represent a major and significant change from the Collins Amendment of Dodd-Frank, which kept Trust Preferred capital as Tier 1 for all banking companies under $15 billion in assets. We believe it is detrimental and unfair to change the status of a particular form of capital long after it has been issued, especially now that the climate of raising capital is much more difficult – and the degree of difficulty for raising capital is more pronounced for smaller companies.

We therefore request that the Basel III proposed rules regarding changes to the capital treatment for Trust Preferred securities be revised to fully recognize the intent of the Collins Amendment by permanently grandfathering outstanding Trust Preferred securities for institutions under $15 billion.

Thank you for the opportunity of responding.

Sincerel ,

Stephen E. Guthrie
Senior Vice President and Chief Financial Officer