

September 26, 2012

TO: The Board of Governors of the Federal Reserve System
Washington, DC 20551

RE: Basel III Docket No. 1442

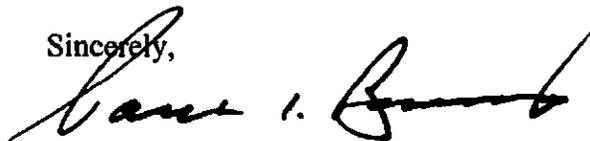
Dear Sir:

South Banking Company has strong concerns about the proposed Basel III capital rules. We are a small bank holding company located in Southeast Georgia serving primarily rural areas. Over the years we have served our customers well and taken some risks to help our communities prosper and grow. If implemented, these new capital standards would restrict our lending ability and slow any kind of economic recovery down. We are most concerned about proposed new risk weights on residential mortgages and certain types of commercial loans which could force us to invest in lower yielding assets. This would have a tremendous downward effect on future earnings. We, like other community banks, have consistently helped consumers and small businesses meet their basic banking needs.

It will be detrimental if Basel III is applied to all banks whether they are the largest international banks or the smallest community banks. It's unfair to paint everyone with the same broad brush. Basel III was conceived as an international standard that would apply only to the largest international active banks who pose the most threat to the system. I recently read an article in *The American Banker* that said, "the average community bank is only 1-10,000th the size of any of the fifteen largest world banks." Another way to compare the systemic risk according to that same article, "is to recognize that if 1,000 U.S. community banks failed, the risk level would only equal about 10% of the asset level of any one of the fifteen world banks".

We have experienced an unbelievable amount of new regulations these past few years at a time when earnings have been a challenge and new capital has been hard to find for small institutions. Let's not restrict but enable banks to better serve their customers and communities where everyone benefits. Please do not apply Basel III to small community banks.

Sincerely,



Paul T. Bennett
President and CEO
South Banking Company