



Merchants and Planters Bank

October 12, 2012

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

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

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

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals¹ that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

I am President and CEO of Merchants and Planters Bank of Newport, Arkansas. Our community bank is approximately \$225 million in size and located in the northeast section of Arkansas. We serve four counties in Arkansas, Jackson County, Independence County, Woodruff County and Prairie County. All the counties where our bank has a physical presence are rural with the largest city we serve having a population of 10,248.

I am writing today to comment on the proposed implementation of Basel III on small community banks like Merchants and Planters and the **extreme detrimental impact that implementation will have on Merchants and Planters Bank and the entire community banking industry.**

¹ The proposals are titled: *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions*; *Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements*; and *Regulatory Capital Rules: Advanced Approaches Risk-based Capital Rules; Market Risk Capital Rule.*

It is my strong opinion that Basel III was developed to apply only to the very largest international banks and not community banks like Merchants and Planters Bank in Newport, Arkansas. Community banks did not engage in the types of behaviors that large financial firms did which led to the financial crisis and economic downturn, so we shouldn't be punished by Basel III for the behavior of the large firms.

Imposing the types of complex and unnecessary capital standards on small community banks will slow down the economic recovery and limit lending in some of the places in the country that need it most. Not only this, but it is my firm belief that if Basel III is implemented on community banks, it will lead to massive consolidation in the community banking industry therefore preventing local bankers that know their markets better than anyone from serving their communities.

Several years ago, Merchants and Planters Bank issued Trust Preferred Securities because this was one of the only ways rural community banks had to raise capital. The bank did so with the understanding that our Trust Preferred Securities would remain a capital component for the life of the securities. Under Basel III, this would not be the case. Community banks have a difficult time accessing capital. Capital markets that are open to extremely large financial firms are not open to community banks like us.

One of the goals of Merchants and Planters Bank has been to become a Subchapter S bank. If Basel III is implemented on community banks, the capital conservation buffer would make it extremely difficult to remain or become a Subchapter S bank.

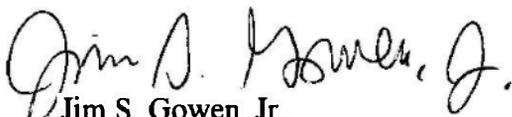
As a community banker, it is my desire for my bank and all community banks to remain under the current capital requirements which better fit the relationship model of community banking.

Implementation of Basel III on community banks will severely diminish the ability to operate a community bank under a model that has worked in this country for decades.

I appreciate the opportunity to comment on the Basel III proposal and I urge you to exempt community banks like ours from Basel III's onerous regulations.

I would be happy to discuss this issue further and can be contacted at 870-523-3601 ext 1112.

Sincerely,



Jim S. Gowen, Jr.
President/CEO