Bank of Clarendon

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October 19, 2012

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

Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Ave., NW
Washington, DC 20551
Regs.comments@federalreserve.gov

Thomas J. Curry
Office of the Comptroller of the Currency
250 E. Street, SW
Mail Stop 2-3
Washington, DC 20219
Reg.comments@occ.treas.gov

Dear Mr. Feldman, Ms. Johnson and Mr. Curry,

Thank you for the opportunity to provide comments on the Basel III proposals which have been presented for adoption by the Federal Reserve Board, The Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

Our Bank is an 80-year old community bank which was chartered in 1932 as the only financial institution in our community. We are a $200 million asset bank serving five rural South Carolina communities. Our primary federal regulator is the Federal Deposit Insurance Corporation and our primary state regulator is the South Carolina State Board of Financial Institutions.

We are concerned that the proposed rules will limit our ability to support the credit needs of the communities we serve. Those items listed below are our major concerns.

Higher Capital Requirements

While we are currently well capitalized, the proposed phased in capital standards would materially affect our ability to offer credit at current levels within the communities we serve.

International Banking Standards

Community banks do not have the size, complexity or risks of international banks for which the proposals were originally designed.

Residential Lending and the Housing Industry

Residential lending and the housing industry will be deeply impacted as there will be reduced residential lending. Our bank currently has approximately 400 loans with a book balance of over $28,000,000. The proposed increased risk weightings under consideration on these loans will materially impact our Bank's ability to continue our current level of lending.

Balloon payment loans allow us to better manage our credit and interest rate risk. Categorizing these loans with higher risk-weightings punishes our Bank which has long practiced prudent, responsible residential lending. Implementation could lead to reduced homeownership in our rural markets.

Past Due Loans

The risk based weightings of past due loans is not necessary. Our primary regulators already require proper ALLL treatment. We would like to ask that this proposal be removed.

Flow-Through of AFS Securities' Unrealized Gains and Losses

We manage risk, but allowing the flow-through to Tier 1 Capital of unrealized gains and losses on Available for Sale securities will greatly impair our Bank's ability to appropriately measure and monitor our interest and liquidity risk. In a future rising interest rate environment, which is not an unreasonable assumption given the present historically low rate environment if this proposal is adopted there will be significant downward pressure on our capital levels. Our Bank presently has a $1,700,000 unrealized gain in our investment portfolio. With a 200 basis point increase in rates, we will have a $1,400,000 unrealized loss. Obviously, this would have an extremely detrimental impact on our capital and capital ratios; thereby possibly further restricting our lending capabilities and our ability to provide a return to our shareholders.

We strongly feel if these proposals are implemented, they will result in fewer banks to serve rural communities as consolidation will become a reality. Often times, in areas like the ones we serve, community banks are the only source of banking services and credit. Taking away these credit sources will have an immeasurable negative impact on our nation's small communities and their economies.

In conclusion, we respectfully request that these proposals be withdrawn or community banks be exempted, thereby preserving our Bank's ability to serve our communities.

Sincerely,

William O. Buyck	W. Louis Griffith	William O. Buyck, Jr.
Chief Executive Officer	Chief Financial Officer	Compliance Officer
Chairman of the Board	Executive Vice President	Vice President