

From: The First National Bank of Bastrop, Reid Sharp
Proposal: 1442 (RIN 7100-AD 87) Regs H, Q, & Y Regulatory Capital Rules
Subject: Regs H & Y Regulatory Capital Proposals

Comments:

September 13, 2012

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

The First National Bank of Bastrop, Texas is a \$390 million bank, established in 1889. We are one of the largest employers in our community and our Employee Stock Ownership Plan is our largest stockholder.

We are extremely concerned over the proposed Basel III capital regulations and the effect they will have on community banks like ours. Of particular concern is the issue of unrealized losses flowing through capital.

The idea of capital was once a simple concept. For generations it was easy to calculate with a number two pencil and a big chief tablet. Now, I understand pressure from the G-20 is being cited as a major reason for adopting these international standards for ALL U.S. banks, sooner rather than later, regardless of bank size.

As I understand it, the Basel rules are designed to make the global financial system more resilient to potential shocks. America's community banks pose no threat to global markets. The average community bank is only one-ten-thousandth the size of Bank of America (or any of the 15 largest world banks). If 1000 U.S. community banks failed, the risk level would only equal about 10% of the asset level of Bank of America. "Insignificant" does not even begin to describe the risk that America's community banks are to the world's financial system.

As a community bank, we don't need and shouldn't have one-size-fits-all, international regulatory policies. There is no comparison between Bank of America and the First National Bank of Bastrop -- not in what we do, not in the risks we pose to the global system.

Banking in America is different from the rest of the world. No other country has the number of independent, community banks we have. Most of the other countries subject to the Basel III rules have fewer than 20 independent banks. These are the banks that can threaten the system, are a risk to one another and should be the sole concern of Basel III.

It's no wonder small town bankers often lament that there must be a hidden government agenda to steadily reduce the number of community banks. To impose Basel III rules on community banks would not make sense, would be counterproductive to creating economic growth and jobs in our communities, and will hasten the demise of community banking.

Examiners can already demand increased capital levels as they see fit. Additional, complex restrictions based on international standards are not

necessary and serve no purpose in the "our" world.

I hope that you will use some common sense and not allow something that was agreed upon across the ocean to be applied to community banks here in America. I pray that one day we can get back to the business of serving our customers and communities and away from reading voluminous unnecessary regulatory proposals.

Reid Sharp
First National Bank of Bastrop