



*John A. Sullivan*

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October 8, 2012

The Honorable Tom Curry  
Comptroller  
Office of the Comptroller of the Currency  
250 E. Street, S.W.  
NW  
Washington, D.C. 20219

The Honorable Ben Bernanke  
Chairman  
The Federal Reserve System  
20<sup>th</sup> Street & Constitution Avenue  
Washington, D.C. 20429

The Honorable Martin J. Gruenberg  
Chairman  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20429

Re: Basel III Capital Proposals

Gentlemen,

Thank you for allowing me the opportunity to express my concerns with regard to Basel III Capital Proposals. From my overview of Basel III, it would better benefit relatively large financial institutions. For years, many local and regional lending institutions have provided consumers with services that will ultimately be eliminated should Basel III be implemented. A few areas of concern are as follows:

- First and foremost, interpreting and implementing the guidelines will result in smaller lending institutions incurring unreasonable and unnecessary hardships, as banks would have to increase staff and purchase additional computer software to comply with its guidelines, thus increasing the banks' expenses.
- Also, requiring gains and losses on available for sale securities to flow through to regulator capital has the potential to decrease regulatory capital when, in effect, nothing has changed--the gains and losses are the result of changes in interest rates, not changes resulting from credit risk. For local and regional banks, this requirement serves no purpose.

- For many local and regional banks, mortgage loans are a substantial percentage of their loans. Increasing risk level percentages could result in the inability of banks to continue providing this service. Currently, most of these banks have policies in place to assist consumers experiencing loan delinquencies, and they also have measures in place to minimize the banks' risk of loss by carrying larger balances in their loan loss reserve.

For years, local and regional banks have provided exceptional services to its customers, and Basel III capital proposals would hinder, if not eliminate, many of these services. While Basel III may benefit larger lending institutions, it is clearly not beneficial for smaller, local and regional banks. I request that you consider re-establishing banking/accounting guidelines that would also benefit smaller, more localized lending institutions; provide Basel III as an option, not the standard by which all lending institutions must adhere; or simply exempt local and regional banks from the proposal.

Sincerely,

A handwritten signature in blue ink that reads "John A. Sullivan". The signature is written in a cursive style with a large initial "J".

John A. Sullivan  
Board of Directors Member  
Copiah Bank