



October 19, 2012

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> 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, D.C. 20219

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

Re: Basel III Capital Proposals

Ladies and Gentlemen:

We appreciate the opportunity to express our comments on the Basel III rules that were recently approved by the Federal Reserve Board, the Office of the Currency and the Federal Deposit Insurance Corporation. We acknowledge the importance of strong capital requirements for banks in the United States however we are alarmed and concerned about the proposals which have been approved by the agencies and now placed for comment.

Citizens Bank of Edmond was organized in 1901 in Edmond, Oklahoma. Since that time, the bank expanded to six locations to better serve the Edmond community. We are a source of credit in our community that helps promote economic activity. Our primary lending is comprised primarily of small to medium sized businesses owners and consumers seeking short term mortgages for residential properties. Lending is centered in real estate in response to the positive growth our vibrant market has experienced. We maintain a keen focus and commitment to the Edmond market that allowed us to serve many individuals and businesses that improves our community and quality of life. As a result, we have been privileged this year to assist over seventy three charitable organizations in our community in need of assistance. It is our belief that this support is not only our privilege but also our responsibility as a good corporate citizen and a leading lender in our community.

It is important to maintain a strong capital position, in both quantity and quality, to weather economic storms. A strong capital position supports our ability to fund needs for small businesses that create job growth and economic activity within our community. It is our belief that we must communicate to you our concerns for the new rules that reduce our ability to provide much needed capital to small businesses that many large banks avoid serving with much lower capital standards. New risk weightings on real estate loans also diminish our ability to

assist individuals requesting short term home mortgages, home equity lines of credit and balloon payment adjustable rate mortgages.

As a community bank, Citizens Bank of Edmond does not believe that these new rules should be imposed on community banks. Basel III initiatives were originally intended to apply to only the largest and most internationally active banks. These new rules impose complex and excessive capital standards for the majority of community banks that threaten our recovery, limit lending and important credit accommodations that are vitally important to hundreds of small business owners in our community in addition to the thousand of other business owners on Main Street across America. Well managed community banks have a lower risk profile than larger banks and our relationship based model of analyzing and managing credit risk cannot be measured solely by imposing analytical capital standards. It is our belief that Basel III will create more problems rather than solutions for the vast majority of community banks.

In addition, Subchapter S corporation banks will be adversely impacted by dividend restrictions with the proposed capital buffer. The elimination of Trust Preferred Securities will require adverse changes in our financial statement. Trust Preferred Securities are an effective source of capital for community banks across our country. If Basel III remains unchanged it will reduce the amount of loans we will be able to provide to our community that support job growth. If the impact is multiplied across the country the potential reduction in available credit is quite significant. Basel III rules are in direct conflict of our goal to spur job growth to create positive economic activity. The Basel III rules, if allowed to remain unchanged, will result in disastrous and unintended consequences for community banks and communities across our great country.

Citizens Bank of Edmond supports some increase in capital levels for community banks. However, the cumulative effect of the massive changes will serve no productive purpose for the majority of community banks in this country that are well managed and well capitalized. We believe the new rules for increased risk weights on delinquent loans are excessive when high reserves for possible loan losses are maintained. The new rules regarding the High Volume Commercial Real Estate and Residential Mortgages are also a concern when this comprises a major portion of the portfolio of community banks in today's environment. Our nation's community banks stand together on these most important issues and concerns and seek a complete exemption for community banks from the Basel III rules.

Again, thank you for this opportunity to express our comments and concerns. An exemption for community banks from the bulk of these rules, especially risk weightings and those surrounding Trust Preferred Securities is respectfully requested. These exemptions will allow community banks to strengthen local job growth, meet the lending need that grows our local economy.

Sincerely,

A handwritten signature in black ink that reads "Ray Hibbard". The signature is written in a cursive, flowing style.

Ray Hibbard  
Board of Directors  
Citizens Bank of Edmond