



October 20, 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, D.C. 20219

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

Re: Basel III Capital Proposals

Ladies and Gentleman:

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 want to start by saying I feel the community banking model is under attack from many sides, with the Basel III Capital Guidelines being the most recent and possibly the most troubling. I am president and CEO of an \$88 million dollar community bank in a town of 7,000 people located in southwest Missouri. We are the only remaining bank with headquarters in Lawrence County. As a result, we have the opportunity to make loans throughout Lawrence County as well as several adjacent counties. We focus on serving this community. Our resources, especially financial and human resources, are aimed at accomplishing this goal. In my opinion, the mere fact that we have devoted valuable time to studying these regulations and writing this letter at a time when we have several other important matters to address, is in itself an argument against application of Basel III to community banks.

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.*

Up to this point, senior management of First Independent Bank has devoted over 35 hours studying and attempting to understand the rules associated with Basel III in order to comment on the proposed regulations. We are not yet certain of the exact impact on our bank's capital because the proposed rules are difficult to understand and apply. The effort it will require to obtain the necessary information from our bank records to implement the proposed rules will be expensive and time consuming, with no readily apparent benefit to either the safety and soundness of First Independent Bank, or to the level of service we provide to our customers. I believe these guidelines put the viability of our bank and all other similarly situated community banks at risk due to increased costs of compliance and potential increased regulatory scrutiny associated with the increased capital requirements.

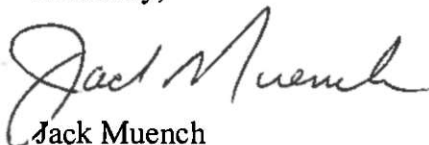
The proposed changes to risk weights used in calculating regulatory capital will directly impact the loans we now offer customers for purchases and refinances of homes and investment properties. This will likely limit the available financing options for residential properties at a time when access to credit is very important to the economic recovery. At the same time, there is no evidence the new guidelines will increase the financial strength of our bank.

The inclusion of Accumulated Other Comprehensive Income will increase the volatility in capital going forward, especially considering the extremely low interest rate environment which presently exists, and will make capital planning more difficult. It will make investment decisions even more challenging and will likely force banks to accept even lower yields on securities at a time when margins are already being squeezed due to the low interest rate environment. It will also force banks to hold additional capital to cover potential future capital reductions in the event of rising rates, instead of using that capital to invest in our communities.

Due to the relatively simple balance sheet we maintain and straight forward lending activities in which we are involved, it is impossible to see how these complex capital rules, originally intended for the largest international banking institutions, will provide any benefit to our bank, the community we serve, or the overall financial system. However, it will result in increased costs, a greater commitment of resources, and reduced levels of products and services for our customers. Consequently, we ask your consideration for the exemption of community banks from the coverage of these highly complex capital guidelines being proposed.

I thank you for your time and consideration on this very important matter.

Sincerely,

A handwritten signature in cursive script that reads "Jack Muench".

Jack Muench
President

JM:sp