October 4, 2012

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

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

Re: Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provisions, and Prompt Corrective Action and Regulatory Capital Rules: Standardized Approach for Risk-Weighted Assets; Market Discipline and Disclosure Requirements.

Dear Sir and Madam:

Community Bank and Trust of Florida is a state chartered non-member commercial bank that is one-hundred percent owned by Florida Community Bankshares, inc., a financial services holding company. The bank is regulated at the federal level by the FDIC and the holding company is regulated by the Federal Reserve. We are writing this letter as our response to the comment request regarding the Basel III capital requirements. As stated and explained in the text below we are strongly opposed to including community banks in Basil III requirements.

**Issues In General**

- In conjunction with other existing and proposed regulations, it jeopardizes the viability of the community bank model
- Forces community bank shareholders to seek alternatives to further investment as new regulatory burden hampers growth in lending
- While the proposal mirrors the Basel III International Accord, which targeted only the largest, internationally active banks, it is sweeping in its scope and complexity and its impact on all U.S. banks



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- In addition to implementing a new minimum capital requirement, the proposal completely revises many of the current risk weights that community banks use to calculate their regulatory capital, particularly for mortgages and the prompt corrective action regulations
- Proposal is not tiered and does not provide any exemptive relief for small community banks with simplified balance sheets and customary lending activities
- Implementation starts in 2013 when banks are attempting to recover from financial crisis, recession, and depressed real estate values
- Community banks cannot access the capital markets and need years to build capital through retained earnings
- Current interest rate environment limits banks' ability to build profits

**Issues with the Accumulated Other Comprehensive Income (AOCI)**

- Inclusion of AOCI introduces volatility in capital driven by interest rates and external credit spreads and will make it difficult for community banks to implement a capital planning program
- Larger banks can hedge impact of interest rates on AOCI, community banks cannot
- Community banks will be forced to hold additional capital to compensate for increased volatility
- Discourages holding of investment securities, which will depress market values for these securities
- Since Interest rates are likely to move higher, community banks will see significant capital reductions

**Issues with the Risk Weights**

- The complexity of the mortgage risk weights based on loan-to-value ratios will create a regulatory burden for community banks
- Penalizing high LTV loans with credit-enhancements will curb future lending
- Second mortgage liens should not carry 150 or 200 risk weights if we want an economic recovery
- Raising risk weights on residential loans generally will impair home financing by raising borrowing rates and limiting borrower access to financing
- Raising risk weights for balloon mortgages penalizes community banks that attempt to mitigate interest rate risk

- Higher risk weights for nonperforming loans only duplicates the purpose of allowance for loan losses and are pro-cyclical

**Issues with Trust Preferred Securities**

- The proposal conflicts with the intent of the Collins Amendment, which provided an exemption for TRUPs issued before May 19, 2010 by banking organizations with assets under $15 billion
- Community bank holding companies will be unable to replace TRUPs capital with common equity

**Issues with the Allowance for Loan and Lease Losses**

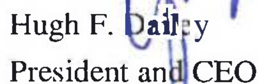
- Allowance for loan losses inclusion in total capital should not be capped at 1.25% of assets
- Some if not all of the allowance for loan losses should be included in tier 1 capital since it represents the first line of defense against capital-absorbing loss

**Issues with the Implementation Timeline**

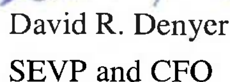
- Timeline is too aggressive for community banks to meet minimum capital requirements
- Assumes no further decline in interest rates or future adverse economic conditions during phase-in
- Limited opportunities to build capital will prevent community banks for rapidly meeting and maintaining conservation buffers

On behalf of our shareholders, directors, employees, and customers, we thank you for your consideration in this matter.

Sincerely,



Hugh F. Dailey
President and CEO



David R. Denyer
SEVP and CFO