

October 19, 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 Ms. Johnson:

Re: 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

Thank you for the opportunity to provide comment on the Basel III proposals 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 have been a community banker since 1974 and have ridden the Bank Regulation train since early in my career. I have participated in many Indiana Bankers Association, Independent Community Bankers Association, and American Bankers Association letter writing campaigns. If these new proposals are added to the current regulatory burden that community banks are subject to, after 40 years of banking, this may be my final letter campaign that I am able to write. Community Banks cannot survive this one.

Federal Regulations are not and have not been the correct answer for the 2008 financial meltdown. Try the Regulatory burden of mark-to-market accounting. A simple decline in market value of a non-markable security marked to current value, destroys that capital that regulators are wanting community banks to retain. In March 2009 the mark-to-market rules were changed and Community Banks began to recover. That recovery process continues, and with help from regulators, Community Banks can return to strength.

Now Basel III threatens Community Banks with more burden that will slow or stop Community Banks from serving their communities, due to the need for additional capital. Capital has traditionally come from earnings, and strong earnings come from successfully serving our communities.

Community Banks do not have access to the stock market at affordable terms. Community Banks do not present the risk of large banks. Please reject the Basel III capital standards. Your Community Banks need constructive assistance, not this type of destructive action.

Sincerely,

H. Matthew Ayers, Director
State Bank of Lizton