



Clarke County State Bank

We have YOUR best interest in mind!

September 19, 2012

The Honorable Ben Bernanke
Chairman
The Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20429

Dear Chairman Bernanke:

We support your efforts to improve and enhance standards for banking organizations in the United States in light of the recent financial crisis. A strong and viable capital base is vital to ensure financial institutions are able to absorb unexpected losses. However, in developing rules to meet these objectives, we strongly urge the Agencies to consider the impact that applying standards developed for large, complex institutions will have on the unique and vital role that community banks play within the U.S. financial system.

Community banks are an important source of personal and business lending in communities across the country. In many areas, small institutions are the only ones that provide direct local services and have a stake in the success of their communities. These institutions are different from many larger institutions in size and scope, and we do not see the value in requiring them to adhere to regimes designed to manage larger and more complex risks.

As you know, community banks have little or no access to capital markets. In most cases, they must rely on the bank's officers, directors, and shareholders to raise additional capital. Raising capital for community banks in the best of times is challenging and nearly impossible in times of economic stress.

We are concerned that the proposed capital rules could exacerbate these funding challenges. For example, the proposed rules are extremely complex and require the reporting and maintaining of granular data, greatly increasing the compliance burden on community banks. In fact, some small banks may be unable to service the future needs of the communities they serve because they simply do not have the resources to meet the new compliance obligations. In addition, the new increased capital requirements for U.S. Treasury and other securities that banks hold in their investment portfolios, could impact how small banks manage liquidity and interest rate risk.

Main Bank: 139 South Main Street • PO. Box 487 • Osceola, IA 50213 • Phone: 641-342-6581 • Fax: 641-342-4647

Jeffreys Drive Office: 1320 Jeffreys Drive • Osceola, IA 50213 • Phone: 641-342-4250

Murray Office: 415 Maple Street • Murray, IA 50174 • Phone: 641-447-2536

www.clarkebank.com • Member FDIC • Equal Housing Lender



Clarke County State Bank

We have YOUR best interest in mind!

We are also concerned that these changes could have significant, unintended consequences for community banks. The proposed rules could make it even harder to raise needed capital. Community banks may change their business plans as a result of the rules, thereby reducing lending and economic growth in the communities in which they serve.

We understand that capital is an important source of strength in our financial system. However, the complexity of new global rules adds little value to the community institutions which your agencies rigorously regulate and monitor. As you review these proposed rules, we respectfully request you consider these unintended consequences and their effect on the viability of community banks across the country.

Sincerely,

A handwritten signature in blue ink that reads "David J. Selene, Pres." in a cursive script.

David J. Selene
President/CEO