



Established in 1916

# CASTLE ROCK BANK

Daniel H. Nicolai, President

Oct. 17, 2012

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve  
20<sup>th</sup> Street and Constitution Ave NW  
Washington DC 20551

RE: Basel III

Dear Jennifer,

This letter is to share my concern over Basel III. I have been involved in a small community bank all my life. Strong capital requirements along with a strong loan loss reserved has always been a top priority. The method in which capital is calculated on the current call report system is more proven its worth. Raising capital requirements would make more sense than trying to create a new elaborate scheme to allow big banks to remain at minimum capital levels.

I do remember not long ago fas 5 and 114 created an elaborate system to monitor the LLR accounts allowing banks to lower their reserve and thus lower their capital. That didn't work out so well. In fact your accounting has cost this bank substantial FDIC insurance assessments. I am certainly proud of the fact we stuck to sound banking practices and remained well capitalized.

Good sound banking practices and strong capital is what keeps banks sound not burdensome regulations and elaborate accounting schemes.

Sincerely,

Daniel L. Nicolai  
Avp-Director

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