

August 2, 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

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

Re: Basel III Capital Proposals

Ladies and Gentlemen:

I am writing to request an extension on the comment period for the Basel III proposals¹ that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

Tri Counties Bank is a **\$2.5 billion** community banking institution headquartered in **Chico, Ca.** These proposals would have a significant impact on the nature of financial services in the United States, including for our bank. Due to the broad scope of the proposals and their applicability to all business lines across all banks, we need sufficient time to evaluate the operational complexities of the proposals and understand their significant impact.

Today, we are busy at our bank doing all we can to comply with a myriad of new laws, best practices, and increased expectations as a result of the recent “fixes” to the financial system in this country. In addition to Dodd-Frank and the CFPB, we must now address new requirements under Basel III. To date, we have participated in three seminars including one just held at the FDIC in San Francisco regarding the new proposed capital requirements. The information uncovered at each seminar is often subject to interpretation and potentially conflicting from one to another. Regardless, the structure of bank capital for banks is undergoing significant change. Since capital is so fundamental and critical to our banking system, it would seem appropriate to take reasonably time to address all of the issues that these changes may have on community banks. We must be proactive and get this right. For example, Basel III adjusts capital requirements based upon loan performance. This is very concerning and we need to fully understand the impacts this requirement will have on the type of loans we will make into the future. I am concerned that these requirements will modify our lending practices and may reduce

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.*

the availability of credit in our communities. Under the information we have uncovered so far, we believe that the Basel III requirements may forever change the future viability of community banking model in this country. Community banks do many good things for our economy. While a number of community banks have failed during this severe economic cycle, most community banks remain healthy banks and continue to provide needed lending to our communities. Please give everyone the time to fully understand the impact of the Basel III requirements.

We are concerned that the comment period, scheduled to end on September 7, 2012, does not provide sufficient time to examine adequately the implications and impact of the proposals and to provide comments reflecting the information that the regulators will need to make fully informed judgments.

I, therefore, respectfully request that the banking agencies consider extending the current September 7, 2012, comment period deadline for at least an additional 90 days.

Sincerely,

Richard P. Smith
President & Chief Executive Officer