

From: Vision Bank, Jim Hamby  
Proposal: 1442 (RIN 7100-AD 87) Regs H, Q, & Y Regulatory Capital Rules  
Subject: Regs H & Y Regulatory Capital Proposals

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Comments:

I truly believe that the proposal to require all banks, regardless of size, to comply with Basel III, if adopted is a dangerous proposition for community banks such as mine. The most troubling aspects are;

1. Requiring the mark to market of available for sale securities in our "available for sale" investment portfolios directly against our capital accounts can potentially be devastating to community banks if interest rates rise quickly. Many of us could become troubled institutions overnight. This provision will require us to shorten the maturity latters of our investment portfolios significantly, which will in itself significantly negatively affect our earnings.
2. Most community banks have 10%-20% of their capital in the form of trust preferred securities. Basel III will require a 10 year amortization of those securities. In the present economy, it will be very difficult, if not impossible for many community banks to raise the capital needed to satisfy this requirement. My bank is presently preparing to do a \$5M stock offering to meet this pending requirement. I can understand not allowing banks to issue any more trust preferred securities, but to make us convert these from tier one capital to tier two capital is dangerous. I would love for someone to explain why trust preferred equity is not as good as stock equity. If the bank fails, the investor loses it all just like the shareholder does.
3. Most small community banks are already struggling under a mountain of new and pending regulations. These additional extremely complicated and potentially dangerous accounting standards, when added to the new regulations, will simply force many small rural community banks to sale, or close their doors. Will the nation be better served when this starts happening? I don't believe so. My bank is presently in the process of acquiring a \$90M community bank. They are selling for this very reason. I am thrilled to get to buy them, but what a shame it is that a bank feels it can no longer manage the regulatory burden and elects to sell.

In conclusion, I formally request that you not support the implementation of Basel III.

James R. Hamby