

From: Chino Commercial Bank NA, Dann Bowman
Proposal: 1442 (RIN 7100-AD 87) Regs H, Q, & Y Regulatory Capital Rules
Subject: Regs H & Y Regulatory Capital Proposals

Comments:

Dear Sirs,

As I understand it, Basel III was intended to address the systemic and interrelated issues facing the oligopolistic banking system of Western Europe and the largest banks in the United States. We agree that the largest banks should maintain additional capital to compensate for increased systemic risk, commensurate with the risk of their investment portfolio; however, community banks do not individually or collectively represent a systemic risk or historic capital inadequacy. With the 50 largest banks in the United States holding more than 85% of total domestic assets, it is both appropriate and necessary to insure systemic stability by providing an additional capital requirement to insure their viability based on asset size. On the other hand, roughly 6,500 community banks and credit unions hold less than 15% of total domestic assets. Logically, one would place 85% of the regulatory focus on the group holding 85% of the assets.

Chino Commercial Bank is a small community bank with roughly \$120 million in total assets. The Bank focuses on serving the financial needs of small businesses and consumers in southern California. With the proliferation of recent regulations, compliance has become extraordinarily expensive and time consuming. The imposition of Basel III would cause an excessive hardship on the Bank in the form of additional personnel costs to insure compliance and potentially cause a contraction of assets in order to meet the capital requirements. In other words, it will raise the Bank's cost of doing business and may result in reducing loans to our small business customers.

Chino Commercial Bank holds approximately 6% of the deposits in a small rural community. The Bank does not represent a systemic risk to Chino, let alone the State or Nation.

The implementation of Basel III to community banks will further constrain lending at a very difficult time in the economic recovery, and potentially lead to further consolidation in the banking industry. Basel III should only be applied to banks defined as Systemically Important Financial Institutions (SIFI), and not to community banks.

Thank you,

Dann H. Bowman
President and Chief Executive Officer
Chino Commercial Bank NA