



TRANSPICOS BANKS

Texas Banking at its Best

October 22, 2012

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

The Honorable Tom Curry
Comptroller
Office of the Comptroller of the Currency
250 E. Street, SW
Washington, DC 20219

The Honorable Marty Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Chairman Bernanke, Comptroller Curry and Acting Chairman Gruenberg:

Our Bank appreciates the opportunity to comment on the Basel III NPR's and the impact that we believe application to us will have.

Common equity tier 1 restricts bank capital access unnecessarily.

Basel III's establishment of "Common Equity Tier 1 Capital" will limit our Bank's access to capital alternatives that are presently available to support future growth. Application of these rules contravenes the exception created in Dodd Frank Section 171 for banks subject to the Federal Reserve's Small Bank Holding Company Policy.

Including unrealized gains or losses creates unmanageable capital swings, especially for Sub S banks.

Basel III's requirement to include unrealized gains or losses on investment securities classified as available for sale will introduce significant volatility to capital levels of our Bank since we do not have the ability to hedge interest rate risk at present. We are active in investing in our local communities that we serve and have underwritten and purchased investment securities for small rural issuers. Implementation of this rule will have a chilling effect on our willingness to make such credit available in the future. Writedowns in the portfolio will have a more significant effect on us since we are taxed as an S corp, while C corp banks' writedowns will be tax effected for corporate taxes and thus will be 35% less. Our Bank serves a large rural section of West Texas where there are very few alternatives for lending and for access by public entities to capital for their community or public projects.

Basel III complexity is too much for smaller institutions.

Our Bank is already significantly challenged by the growing amount of regulation and we believe that the risk weighting rules and all that they require will create significant costs of complying and ultimately

drive up our costs and ultimately threaten our ability to deliver residential mortgages and home equity loans to our rural customers, most of whom have no other choices but the local community bank. Even getting into compliance on existing loans will be an enormous burden for our bank, not to mention the potential quadrupling of capital required to hold against smaller non-conforming rural residential loans. Our bank wants to make such loans and the community needs us, but it is questionable whether it will make sense if we must comply with the proposed rules.

We appreciate the opportunity to comment and re-urge our request that smaller institutions such as our Bank, as defined under Dodd Frank, be exempted to these rules.

Very truly yours,

TRANSPICOS BANKS

By: 
George A. Musselman II
Corporate Treasurer