



Missouri Federal Savings Bank



North Branch:
515 Platte-Clay Way - P.O. Box 465
Cameron, Missouri 64429
Phone: 816-632-5232
Fax: 816-632-1851

South Branch:
124 South Walnut - P.O. Box 465
Cameron, Missouri 64429
Phone: 816-632-7272
Fax: 816-632-1001

Lawson Branch:
29206 NE 184th St. - P.O. Box 456
Lawson, Missouri 64062
Phone: 816-296-4076
Kansas City Line: 816-580-4282
Fax: 816-296-4936

November 20, 2000

Manager, Dissemination Branch
Information Management and Services Division
Office of Thrift Supervision
1700 G. Street N.W.
Washington, D.C. 20552

2000 NOV 21 12 2:50

RE: Simplified Capital Framework for Non-Complex Institutions

Dear Sir/Madam:

In reading your Transmittal 239 Notice dated November 7, 2000, it is my understanding the Banking Regulatory Agencies (the Agencies) are considering developing a simplified regulatory capital framework applicable to "non-complex" banks and thrifts. The Agencies believe the size, structure, complexity and risk profile may warrant the application of a simplified capital framework that could "relieve regulatory burden" associated with existing capital rules.

Your "Notice" further states a non-complex institution would possess the following characteristics:

1. Relatively small asset size of less than \$5 billion – (our bank is \$50 million)
2. Relatively simple and low risk balance sheet, traditional nonvolatile assets (our bank balance sheet is totally traditional)
3. A moderate level of off balance sheet activity – (our bank-NONE)
4. A minimal use of financial derivatives –(Our bank – NONE)
5. A relatively simple scope of operations and little involvement in nontraditional activities as a source of income –(Our bank fits the mold perfectly)

In reading through your NOTICE, my initial concern is that you have designed a threshold of institutions \$5 billion and under as relatively "small asset" size. What about the vast amount of smaller banking institutions in our country that are less than \$500 million in size; in our case \$50 million?

You will have to excuse me, but whenever I see or hear a statement from the "AGENCIES" that they are attempting to relieve regulatory burden a "cold chill" descends over my thoughts as to



what additional regulatory burdens will be placed on small institutions as a result of quote “relieving regulatory burden.”

True to my thirty-six years of banking experience and assumptions, regulatory agencies relieving regulatory burden, on page 66196-

c. Setting a Minimum Capital Threshold for Non-Complex Institutions.

If I understand this section correctly, the “AGENCIES” are stating that if a small bank such as ours (\$50 million) qualifies without question as a non-complex institution thereby enabling us to benefit from a simpler capital framework that would relieve some of the burden associated with regulatory capital compliance, the “AGENCIES” reward to us – RAISE OUR EXISTING MINIMUM CAPITAL LEVEL as an appropriate trade-off.

Why am I not surprised – the relief of regulatory burden in action. Once again, an overkill for those numerous small town banks across the country that bear the brunt of and are subjected to the onerous regulations imposed by the “AGENCIES” in their never ending quest to keep the “mega banks” from going under.

I wonder if the “AGENCIES” ever considered “REDUCING” the minimum capital threshold for those approximate 7,600 small banks across the country that are less than \$500 million in size that are very vital to the economic backbone of their respective communities. Obviously these would be banks rated I or II with independent outside audits, etc.

I do not feel qualified to comment on all of the eighteen-(18) questions posed as outlined in your overview. However, for once, in order to be fair to those banking institutions that comprise approximately 85 percent of all banking institutions \$500 million or less, I would respectfully “advocate” the following to “In Reality” actually relieve the regulatory burden associated with regulatory capital compliance:

- I. Establish a Category Asset Size of \$500 million or less
 - a. banks must have either a I or II camel rating
 - b. Independent outside audit
 - c. Contain all five (5) characteristics as listed in your notice.
 - d. Agencies require a Tier I (core) Leverage Ratio and Tier I Core risk –based ratio of 4% or above to be either ADEQUATELY or WELL CAPITALIZED. This would reduce well capitalized category from 5% or above to 4% or above. Also, requiring a total risk based ratio of 8% or above to be adequately or well capitalized. A big plus for small banks that historically have a more difficult time raising capital – includes approximately 85 percent of the nation’s banks.
 - e. Do not require the filing of schedule CMR – a very burdensome schedule. Although we are not actually required to file the CMR, if we do not, then we must purchase expensive software to measure our Interest Rate Risk. For a bank with twenty-seven full time employees including two full service branch locations, the “requirement” for us to calculate our Interest Rate Risk is costly and burdensome. Surely the Agencies receive enough information from our various other reports that the Agencies could calculate our Interest Rate Risk

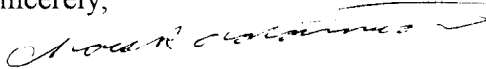
- f. Totally doing away with Interest Rate Risk for banks as outlined above, thus ending the onerous – calculations, regulations, reports, graphs, charts, ongoing regulatory changes, etc., that make up the world of INTEREST RATE RISK.

In summation, small banks such as ours have operated very well for many, many years without the mandated Interest Rate Risk regulations. In institutions our size the matching of interest sensitive assets to interest sensitive liabilities is a daily process of management.

To truly and in reality relieve the regulatory burden of small non-complex banking institutions in developing a simplified regulatory capital framework, I respectfully urge you to consider the ideas as set forth above in (a) thru (f) above.

Your time, effort and thought process will be appreciated by eighty – five (85%) of the banking institutions you and the other Agencies regulate. Thank you.

Sincerely,



Charles R. Adamson
President

cc: Michael Soloman, Senior Program Mgr.
Teresa Scott, Counsel, Banking & Finance
Comptroller of the Currency
FDIC