proposes additional limits if capital levels fall below the proposed conservation buffer that is far above minimum standards. These controls and FCA prior approval eliminate any possible member-customer expectations for the distribution of income or retirement of stock and effectively makes cooperative shares permanent. Given these controls, a 7-year revolvement cycle on a loan basis is easily justified. For cooperative capital, the length of time a share is outstanding is irrelevant to permanence. Rather, permanence is determined by member-customers' clear understanding that their shares are at-risk and committed to the long-term financial stability of their cooperative.

3 Revise the proposed "safe harbor" provision that authorizes limited distributions, including stock retirements, without FCA prior approval to be consistent with similar provisions implemented by European bank regulators. The proposed limit of no reduction in CET1 provides no reasonable room for boards to manage capital without first seeking FCA prior approval. This burdensome requirement is far more restrictive than the approach taken by foreign bank regulators that implemented Basel III for the cooperatives under their jurisdiction. FCA should follow the same standards as these regulators and allow up to a 2% reduction in CET1 as long as capital ratios remain above the conservation buffer. In addition, the "haircut deduction" for early distributions is punitive and should be eliminated from the proposed regulations and handled through examination as there is no basis for this in Basel III.

4 Reduce the proposed Tier 1 leverage requirement to 4% to be consistent with Basel III standards implemented by regulators across the globe. From my perspective, the proposed 5% standard is an arbitrary and capricious deviation from Basel III. There is simply no quantitative analysis or loss experience that justifies a 5% Tier 1 leverage ratio for the FCS while all other regulated financial institutions regardless of structure are subject to a 4% requirement. It is clear to me that FCA's proposal is excessive, unsupported, creates an unnecessary inconsistency with Basel III and would result in higher borrowing costs to the member-customers. This inconsistency with Basel III and with the approach taken by regulators around the globe will raise questions about the FCS's risk profile compared to other lending institutions. Such questions will irreparably harm the FCS and its mission achievement. I ask FCA to establish a 4%Tier 1 leverage ratio consistent with the Basel III guidance.

The refinements I ask FCA to make ensure that the FCS can function consistent with cooperative principles for the benefit of its member-customers as Congress clearly intended.

I appreciate the opportunity to comment on this proposed rule and FCA's willingness to consider my feedback.

Sincerely,

Michael & LaDonnah Sherwood