Cambridge Trust Company

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Member FDIC

October 27, 2004

Letter of Comment No: 71
File Reference: EITF03-1A

Mr. Robert Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5166

Re: EITF 03-1 "The Meaning of Other Than Temporary Impairment and its Application to Certain Investment"; and Proposed FSP EITF Issue 03-1-a.

Dear Mr. Herz,

Cambridge Trust Company will be significantly impacted by the guidance outlined in the abovementioned EITF's. More than one-half of the Bank's nearly $750 million of assets are held in our Investment Portfolio. As one of the many clients of the Darling Consulting Group, we support the comments included in their comprehensive nine page letter to you dated October 22, 2004, which address most of the concerns that we have with the guidance. There are, however, a number of additional matters that we believe additional consideration.

On page nine of their letter, Darling Consulting writes: "*We strongly urge the FASB/EITF to gather additional input from the Financial Services Industry, Regulatory Agencies and accounting practitioners on the likely ramifications that EITF 03-1, as proposed, will have on financial statement preparers and their readers. Leaving these matters unaddressed may trigger any number of adverse consequences that are not likely the FASB's/EITF's intent.*"

We strongly agree with that view.

The "Law of Unintended Consequences" may be the single most important issue that could arise from the guidance. We believe that the guidance will have the unintended consequence of causing financial institutions to become less liquid as they move their portfolios into Held to Maturity categories which we, along with other institutions, are likely to do over time. If credit quality, interest rate sensitivity and liquidity are among the three most important risks in banking, we believe that this proposed guidance is likely to increase liquidity risks in the industry- exponentially.

The second matter that I would comment on relates to jurisdiction.

The minutes of the EITF say: "***In responding to that Issue [EIFT Issue No 02-14], the FASB staff developed a view that recommended that the Task Force define* other-than-temporary *impairment and provide additional guidance on how other-than-temporary impairment should be applied to certain investments accounted for by the cost method under Opinion 18. At the September 11-12, 2002 EITF meeting, the Task Force requested that the FASB develop views regarding the meaning of other-than-temporary impairment and its application to certain investments carried at cost.***"

Please note that EITF Issue No. 02-14, "***Whether the Equity Method of Accounting Applies When an Investor Does Not Have an Investment in Voting Stock of an Investee but Exercises Significant Influence Through other means***", is - as indicated in the minutes- a scope issue related to Opinion 18. Further note that the March 17-18, 2004 EITF minutes stated: "… ***the Task Force decided to discontinue discussion of an impairment model for investments subject to the equity method of accounting. No further EITF discussion is planned***".

Sir, in the confusion of the night, it would appear that the EITF has managed to come full circle on the original issue, without conclusion.

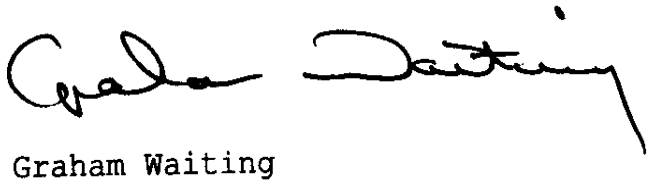
Worse still, in the process, the EITF has reached a consensus on a matter that appears to be outside of the scope of the original issue. Many would argue that it has not provided guidance, but that it has changed the rules which is of greater concern since, in the minds of many, that is not within the EITF's jurisdiction?

Quite simply, with due respect, the EITF has not adequately done it's homework on this issue, as should be evident from the level of confusion and inconsistency that already exists with respect to this guidance. This should be readily apparent to you from the comment letters that you receive. And since bankers tend to talk to each other, it is well known in the banking industry that the "Big Four" are already making different interpretations on the guidance, the sign of an accounting industry under pressure?

Added to this, during this great baseball season, you have raised the complex question, "who's on first"?

It is imperative that the FASB step in to resolve this mess.

Sincerely,



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