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From: Fred Mendez [fmendez@svbank.com]
Sent: Friday, June 18, 2004 2:39 PM
To: Director - FASB
Subject: Stock Options Comment

Letter of Comment No: 5045
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The purpose of this e-mail is to comment on the FASB proposal to expense stock options. Please don't institute this policy! After 10 years of working for the Federal Reserve, I am finally in a position to benefit directly from the efforts I make at my new employer, Silicon Valley Bank ... and this is directly attributable to the stock option and employee stock purchase programs. I am more than an employee, I am now an owner.

The proposal to expense stock options negatively impacts the bottom line of financial institutions, who are more heavily regulated than any of the other corporations that may be impacted by this policy change. It would be impossible to argue rationally that the financial health of the heavily regulated financial industry is somehow at risk due to current accounting practices related to stock options. The cost of these options are already reflected in "diluted earnings per share" estimates in company financial statements, which are looked at, reviewed and approved by regulatory agencies. FASB's policy change on this issue would be just another of many situations where one agency makes a policy change intended to fix a problem that doesn't exist and is already being managed by regulatory agencies.

As such, I would like to make three recommendations regarding the March 31, 2004 Financial Accounting Standards Board's Exposure Draft, the Share-Based Payment and Amendment of FASB Statements No. 123 and 95. The first is for FASB to reject the expensing of stock options as policy. If this is simply not possible on either a sound policy or political basis, my second recommendation is for FASB to exempt those industries where accounting practices are already heavily regulated, discussed, reviewed and transparent on both the state and Federal level. Finally, please respect the opinions and position of the Federal Reserve, FDIC and Treasury regarding this issues. They have extensive knowledge of how financial institutions manage their risk and work closely with the industry to make sure that policy changes are rational and have a value-added impact. This FASB policy proposal ignores their expertise and will only have an adverse impact with no rational gain for the industry and its employee base.

Thank you for your consideration,

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