RIVERSIDE
NATIONAL BANK

Letter of Comment No: 225
File Reference: EITF03-1A

October 28, 2004

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

Mr. Lawrence Smith
Chairman
Emerging Issues Task Force
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5166

RE: Emerging Issues Task Force Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments"

Gentlemen,

As Chief Financial Officer of Riverside National Bank of Florida, I am very apprehensive about the potential negative ramifications of EITF 03-1.

At issue, EITF 03-1 will inhibit the ability of a financial institution to restructure its securities portfolio. More than likely, EITF 03-1 would force Riverside National Bank to reduce its investment in AFS securities and place all its holdings into HTM category. Moreover, this would put our senior management team into a quagmire; we will be unable to adjust our position as economic condition changes. Placing securities in AFS accounts provides institutions greater latitude than placing them in HTM. If these restrictive applications stand, it will completely change how Riverside manages its investment securities as noted above. It will deprive us of the ability to use this component of our balance sheet to manage our asset/liability and liquidity positions.

For tax purposes, it would be increasingly difficult to sell underwater securities and offset the losses with gains from the sale of other securities. ALCO would find it more difficult to alter portfolio duration using security sales. Finally, because of diminution in asset value (with impairment being recognized immediately on designated AFS securities, instead of being deferred until sale); securities impairments recognized on the income statement would affect risk-based capital ratios.

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Under the Federal Reserve Board's current risk-based capital adequacy guidelines for bank holding companies, unrealized losses on AFS securities are added back to equity capital. Should losses flow through the income statement, as proposed in EITF 03-1, equity capital would diminish on a risk-adjusted basis.

Finally, it is our belief that interest rates will continue to rise and will cut the value of debt securities, which will increase the concern for impairment. Ultimately, this would create a great deal of earnings volatility on the income statement.

In conclusion, we feel that this proposal would have a huge impact on financial institutions' earnings, reduce regulatory capital levels that constrain the banking industry's ability to support economic growth, and increase cost of capital

Thank you for taking the time to consider Riverside National Bank's comments regarding the very critical issues associated with EITF 03-1 and the related ramifications for my bank specifically, and for the banking industry in general.

We look forward to further discussions and to finding workable solution to this issue. Please contact me at (561-462-5058) or tim.brown@riversidenb.com.

Sincerely,

Tim Brown,
EVP/Chief Financial Officer