

September 7, 2010

Mr. Russell Golden  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

File Reference: No. 1810-100 Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

Dear Mr. Golden:

I send this letter to comment on the exposure draft Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities (“proposal”). I am a bank investor, and it is very important to me that the financial condition of the bank in which I own stock is strong. Accurate and understandable financial reporting is important in order for me to make investment decisions. With this in mind, I am writing to express my deep concern and opposition to the portion of the proposal that requires all financial instruments to be marked to market. From a bank investor’s perspective, the proposed rule will create more doubt about the bank’s condition, and rather than improving financial reporting, will be harmful to it. It will put into question the adequacy bank capital by forcing contrived and very likely incorrect valuations of “market” due to incorrect assumptions. The very fact that assumptions are required calls into question the results.

In your proposal, banks must record loans on the balance sheet at their market value. The market value of a loan in my perspective equals the balance of the loan, less any impairment, subject to a premium or discount depending on interest rates and other factors. If a loan is performing, the value is easy to determine, especially when the asset is intended to be held to maturity. Investors are more interested in how loans perform and their potential cash flows & margins, not in how the “market” (to my knowledge, there really isn’t a “market”...can you enlighten me?) views loan performance.

I am very concerned about the costs and resources that will need to be dedicated to produce and audit such data. I anticipate that the proposal will require banks to hire more staff and/or consultants to help with estimating fair values (and I do mean estimating...there is absolutely no way an “estimate” can reliably be counted upon unless 100% of the assumptions used in generating the “estimate” are disclosed, analyzed and found to have been correct. This cannot be done except in retrospect, and at that point, investment opportunities will have been passed up.) The hiring of additional staff and consultants will result in significantly higher audit fees. You are aware, I’m sure that there is no such thing as a free lunch. Someone always pays, and I believe that this proposal will be borne at least in part by the very consumers that many misguided politicians strive to protect.

In addition, the provision to report deposits as some fair market estimate which may reflect a core deposit intangible that approximates the interest rate borrowing advantage inherent to banks from deposits is in my opinion, ludicrous. As with any intangible, establishing a true value of deposits is so subjective as to render the number meaningless for investors.

Even though my bank is a non-public bank of under one billion dollars in size and the reporting rules are deferred for four years, we will still be required to disclose fair value of all financial instruments with a FAS 157 based “exit price”, which in effect will require the same work, analysis, and cost with no discernable benefit to me or our other investors.

Please drop your proposal to mark loans & other financial instruments to market. It does not improve financial reporting, but only complicates it, and I believe makes it more inaccurate and less dependable. Thank you for considering my views.

Sincerely,

Walt Voss  
President and CEO  
The First National Bank & Trust Co., Chickasha  
Chickasha, OK