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September 17, 2010

Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO 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:

Thank you for the opportunity to comment on the exposure draft Accounting for Financial Instruments and Revisions to the Accounting for Derivatives Instruments and Hedging Activities ("proposal"). I am writing to express my deep concerns and opposition to the portion of the proposal that requires all financial instruments to be marked to market.

In your proposal, banks must record loans on the balance sheet at their market value. Seldom are market values of loans ever discussed. The reason for this is that investors are interested in how loans perform, not how the market views loan performance. I believe the focus on mark to market is not relevant for loans that are not being sold.

Additionally, with individualized payment terms, collateralization, and guarantee structures, the vast majority of commercial bank loans have no reliable market in which they could be sold, further calling into question the reliability of using fair value as a basis for financial statements. Even if there were active markets, fair value is not the appropriate measure for these loans since it does not represent the cash the bank will receive. If there is a problem in repayment, the banks' typical process is to work the problem out with the borrower rather than sell the loan. So, even if it were easy to find a market value, that market value is irrelevant since the bank would likely not sell the loan.

As a result of your proposal, bank capital will be affected by market swings that cannot reasonably be expected to ever be realized by the bank. The mark-to-market proposal will only serve to weaken a bank's capital position – at the very least it will cause confusion and short-term inaccuracies in the true valuation of a bank's net worth.

Therefore, please shelve this proposal for one that accurately accounts for "real world" activities.

Sincerely,

Greg Smitley