1810-100 Comment Letter No. 1547

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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:

Thank you for the opportunity to comment on the exposure draft Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities. As both a bank investor and Certified Public Accountant, I have been closely monitoring the debate on this proposal. I am specifically interested in the portion of the proposal that requires financial instruments to be marked to market. I am writing to express my concerns and opposition with this proposal as a bank investor.

My primary concern with this proposal is that I believe it will reduce rather than increase transparency of financial statements. Under this proposal, a bank would be required to report loans at their fair market value. Although, this may be possible with standard residential real estate loans, I fail to see how this is possible for commercial and non traditional loans. Without established actively traded markets to uniformly price loans, I am concerned about loan valuations and the potential for manipulation or varying valuations. As an investor, I believe this will hinder rather than improve the comparability of financial statements.

One unintended consequence with this proposal is the potential for greater variability in the financial statements. I believe that this variability could create more volatile stock prices. In turn, I believe that it could create buying opportunities for more sophisticates investors at the expense of existing and exiting shareholders.

Further, I am concerned with the costs associated with implementing and monitoring this proposal. This proposal will require significant additional time and resources to properly apply. As an investor, this will likely reduce the amount available for dividends. Additionally, it may hurt the valuation of my investment. Given the uncertainly regarding loan valuation, I question the value accomplished by this proposal.

As an investor, I don't believe this information will be useful in my analysis. Rather, I believe actual loan performance is a far more meaningful measure. With this in mind, I recommend you to drop your proposal to mark loans to market, as it will not improve financial reporting.

Thank you for considering my views. Please feel free to contact me if you would like to discuss my concerns.

Sincerely,

Michael J. Welch