



September 22, 2010

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 Members of the Financial Accounting Standards Board:

On behalf of R Bank located in Round Rock, Texas, I am writing today to express the Bank's concern with and opposition to FASB's proposed changes to the way we mark our financial instruments; namely, the expansion of fair value accounting to all financial instruments. While this letter will not address all our concerns, we think it is very important to specifically address some of the more egregious parts of the proposed changes. Our industry and our Bank have consistently opposed a fair value accounting model for the core banking activities used in the industry. We have often wondered about what the impact to our industry would have been in 2007/2008 if this model you are proposing had been in effect. We do know it would not have been positive.

The changes proposed in No. 1810-100 expand current mark-to-market accounting by requiring us to record all financial assets and liabilities at fair value on our balance sheets. **However, these changes fail to take into consideration the fact that commercial banks, like ours hold financial instruments like loans for long-term investment purposes—not for trading purposes.** In fact, the vast majority of community banks keep the loans they make on their balance sheets and hold them for the life of the loans. Forcing these banks to begin accounting for long-term investments at fair value will result in a significant change to their capital because these assets most often have no active markets. It will also put a tremendous amount of pressure on the lending equation, leading to decreased lending at exactly the time the country needs to have lenders willing to make loans to small businesses—which are the “engine” of our economy.

Furthermore, **community banks will have to incur significant costs in order to provide these fair value estimates at what appears to be of no benefit to the customer, the shareholder or the bank.** Without implying that our customers and shareholders are not savvy, we are very concerned that few people will understand the nuanced change of fair value results. Instead, we fear that our customers and shareholders will see significant drops in their bank's capital – both because of the move from amortized accounting for long-term investments and because of the higher costs associated with providing these fair value estimates – and mistakenly believe the bank's capital reporting is unreliable.



We do understand that for larger institutions that are more sophisticated in their investment portfolios, **the standards proposed are inconsistent with the standards utilized by the international financial reporting standards.** It is our understanding the industry is undertaking a move to bring into alignment accounting practices worldwide and eliminate pro-cyclical problems. In our opinion, this accounting rule would exacerbate the problem and cause further unwarranted stress for our industry.

Our state (Texas Bankers Association and Independent Bankers Association) and national trade associations (the American Bankers Association) have filed lengthy and very comprehensive responses to the proposal being offered. We have read and reviewed their very thoughtful comments and support their positions.

Thank you in advance for your time and careful consideration of the above. It is our request that FASB would withdraw this proposal.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Reid Ryan', is written over the typed name.

Reid Ryan
Organizer and Director
R Bank
Round Rock, TX