



FLORIDA BANK GROUP, INC.

September 29, 2010

Mr. Russell G. 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 Accounting for Derivative Instruments and Hedging Activities

Dear Mr. Golden,

Florida Bank Group, Inc., a bank holding company located in Tampa, Florida appreciates the opportunity to comment on this Exposure Draft (ED), which is likely the most significant and impactful proposal issued in FASB's history.

To get directly to the point, we strongly oppose Topic 825 (Financial Instruments) and its proposed quantum leap towards a full fair value accounting world. We are opposing the application of fair market value accounting to the banking industry because of its highly probable adverse consequences.

The basic tenet of our deep rooted opinion is actually quite simple: *the purpose of accounting is to reflect, not determine, how a business is conducted.* Given that the banking industry will be impacted by this ED far more greatly than any other industry, it is important to remind the FASB that a fair value accounting model is inherently inconsistent with the highly typical banking business model. Accordingly, if this Proposed Accounting Standard Update is allowed to prevail, then so too will the Law of Unintended Consequences prevail with potentially far reaching implications, including:

- Reduced competitiveness of US Banks vs. Foreign Banks,
- Increased cost and reduced availability of capital to banking industry (especially "community banks"),
- Decreased availability of credit, and slower growth rate of US economic activity,
- Materially curtailed access to long-term fixed rate funding by US households and businesses,
- Reduced comparability and increased complexity of financial reporting by the banking industry; thus, reduced transparency,
- False signaling and undesirable volatility in reported bank capital levels (and earnings), especially during times of economic stress, and
- Elevated probabilities for bank failures impacted inordinately by accounting rules vs. economic/business fundamentals.

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While fair value information may have some utility to an investor reviewing financial statements, this information is currently available in footnotes, where we feel it belongs. To focus on the nuances of the ED is premature, since the real issue resides in the merits of the proposed fair value oriented accounting model in general. As stated in the beginning of this letter, *the purpose of accounting is to reflect, not determine, how a business is conducted*. The Proposed Accounting Standards Update, specifically Financial Instruments Topic 825, will undoubtedly modify bank management behavior based solely on reactions to accounting rules rather than in response to meaningful economic, business and customer stimuli. Accordingly, the issue of implementation cost (while quite substantial) is moot.

The Law of Unintended Consequences cannot be ignored or assumed away. The reality is that the vast majority of investors in and the providers of capital to the banking industry do not like volatility or surprises. The ED will fail on both accounts, leading to uncertainty.

Uncertainty and volatility will likely reduce the availability of capital to the industry, and absolutely increase the cost of whatever capital is available. Consumers and businesses will also underwrite the costs of fair value accounting as they discover that access to credit is curtailed and the terms of credit less flexible/favorable (including lack of availability of fixed rate credit, and higher credit spreads). The increased capital levels (already more onerous than for Foreign Banks) that will be required to support accounting uncertainty will result in less capacity for banks to lend, which when combined with tightened credit standards (to avoid credit related accounting surprises), will reduce the velocity of money flows and negatively impact the growth capacity of the US economy.

Accordingly, we feel the FASB should abandon this exposure draft, scale back the use of fair value measurement when accounting for assets generally not held for trading, and continue to explore ways to simplify the accounting for derivatives.

We thank you for your time in reading our comments, and appreciate your serious consideration of our thoughts and recommendations.

Sincerely,

John Garthwaite
Chief Financial Officer

Mary Whitaker
Controller

Garry Forbes, CPA
Director of Financial Reporting

Florida Bank Group, Inc.