

From: kim.barnes@callawaybank.com
To: [Director - FASB](#)
Subject: Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" Exposure Draft
Date: Thursday, September 23, 2010 7:48:12 PM

Kim Barnes
5 E 5th Street, PO Box 10
Fulton, MO 65251-0010

September 23, 2010

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

Dear Mr. Golden:

Mr. Golden,
On behalf of The Callaway Bank, a 153-year old community bank located in central Missouri, I urge the Financial Accounting Standards Board to drop the proposal to revise the accounting for financial instruments outlined in the above document.

The primary business of community banks is to hold financial instruments to collect contractual cash flows, not to trade them on a regular basis. As such, the proposal would result in a significant misrepresentation of our financial condition and would lead to a high degree of volatility in the financial information reported to our shareholders and made public through the bank regulatory reporting. The public doesn't need any more inflammatory or confusing information about banks, there's enough of that as is.

Community banks fund their operations by taking deposits and holding loans for the long term. Only a small portion of the financial instruments held are readily marketable.

We oppose the proposed accounting treatment for core deposits which calls for them to be regularly remeasured using a present value calculation. This doesn't seem to make sense in our environment where the core deposits are very stable. We believe this would not provide accurate information, and we KNOW the calculations would be onerous compared to the benefit gained, particularly for smaller banks like ours that have limited staff resources to conduct the analysis. We'd likely have to hire an outside firm to do the calculations for us.

We oppose requiring institutions to record demand deposits at fair value. What's fair value of an account that can be immediately converted to cash, other than the balance in the account????

In addition, on the asset side of the balance sheet, our long-term agricultural loans and small business loans are intended to be held by us through maturity, and there is no active market for us for these items, thus creating a difficult process of valuing them from a market

perspective.

Accounting standards and guidance should not be pro-cyclical. Recent market conditions have demonstrated the pro-cyclical nature of mark-to-market accounting as declining values of financial instruments necessitated write-downs and sales, causing further write-downs and sales. The proposal would only exacerbate the effects.

These accounting changes will increase the volatility of bank balance sheets, forcing them to face higher capital requirements or decrease lending at a time when regulators are calling for more capital - and at a time when our economy needs more strong community banks providing credit to farms and businesses. The natural result of the proposal would be for banks to limit long-term lending for fear of the negative impact to capital, particularly in light of the new Basel requirements we are facing.

In short, the proposed changes seem like a bad idea that would be very harmful to many, many small organizations.

Thanks for your willingness to hear our comments, now I urge your to listen to the many community bankers who carry the nation's commerce on our shoulders.

Sincerely,

Kim Barnes
5735926376