1810-100
Comment Letter No. 284

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Technical Director
File Reference No. 1810-100
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Via email: director@fasb.org

Dear Sir:

Susquehanna Bancshares, Inc. is a $13.9 billion financial holding company that provides a wide range of retail and commercial banking and financial services through our subsidiaries in the mid-Atlantic region. We appreciate the opportunity to comment on the Proposed Accounting Standards Update, *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities.*

Earlier this year, the SEC released an update regarding its continued support for the convergence of U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and International Financial Reporting Standards ("IFRS"). An excerpt from the Commission's statement is as follows:

> **"The Commission continues to believe that a single set of high-quality globally accepted accounting standards will benefit U.S. investors and that this goal is consistent with our mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitation capital formation. As a step toward this goal, we continue to encourage the convergence of U.S. GAAP and IFRS and expect that the differences will become fewer and narrower, over time, as a result of the convergence project."** [1]

Without commenting on the benefits or detriments of convergence, we fail to see how this Proposed Accounting Standards Update (having taken into consideration Appendix A of the Exposure Draft) is in keeping with the Commission's objectives.

That being said, we regret that we do not have the resources or expertise to respond to all 71 questions posed by the Board. The very nature and number of these questions causes us to question the FASB's assertions that "the main objective in developing this proposal is to provide financial statement users with a more timely and representative depiction of an entity's involvement with financial instruments, while

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[1] SECURITIES AND EXCHANGE COMMISSION, RELEASE NOS. 33-9109;34-61578, Commission Statement in Support of Convergence and Global Accounting Standards, February 2010

reducing the complexity in accounting for those instruments" and that "this proposal simplifies and improves financial reporting for financial instruments."

Susquehanna supports the FASB's efforts to develop a comprehensive framework which addresses the accounting for financial instruments. However, we are strongly opposed to the expansion of fair value as the primary balance sheet measurement attribute for virtually all financial instruments. More specifically, we do not believe that the use of fair value for loans which management intends to hold for investment would provide investors and analysts with useful, transparent, and reliable information.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Most loans on a financial institution's balance sheet are held for investment and not held for sale. It seems inherently contradictory that the fair value for something that will not be sold and for which there is no active market is its sale price. Furthermore, there are no readily observable inputs for these loans, and the determination of fair value would be based on Level 3 valuation techniques, which are the most subjective and lowest in priority and relative reliability of the inputs in the fair value hierarchy. We find it troubling that approximately 67% of total assets on the balance sheets of most traditional financial institutions would be valued using "the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances." [2]

In addition, we have critically read comment letters already submitted by many respected members of the financial services community, particularly those of the American Bankers Association ("ABA") of which we are a member. There is nothing we can add to the ABA's impeccably reasoned responses and conclusions other than our unequivocal support.

Sincerely,

/s/ Drew K. Hostetter

Drew K. Hostetter
Chief Financial Officer

[2] FASB Accounting Standards Codification, Fair Value Measurements and Disclosures (Topic 820)