

Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
Via email: director@fasb.org

RE: File Reference No 1810-100 Exposure Draft: Accounting for Financial Instruments – Specifically Classification and Measurement of Financial Assets and Liabilities

Dear Mr. Golden:

First PREMIER Bank is a community bank located in Sioux Falls, South Dakota. The exposure draft related to the accounting for financial instruments at fair value will have major impacts on bank financial reporting. First PREMIER Bank' viewpoint is that the accounting for financial instruments should be based on the proven banking business model. This model treats instruments held for sale or trading purposes at fair value while those held for long-term purposes are accounted for at amortized cost.

Bankers are very efficient at managing customer relationships and credit, but placing a fair value on these credit decisions offers an irrelevant value in the banking model. Banks also are subject to regulatory capital requirements, and the full fair value accounting suggested in the exposure draft will certainly undermine the reliability of reported capital. This will affect the comparability between banks and will also be confusing to depositors and investors.

A large component of our bank's balance sheet is the loan portfolio which makes up about 55% of total assets. The fair value of these assets would have to be estimated based on level 3 fair value inputs. On the liability side, core deposits must also be estimated. The fair value accounting for these items along with the sensitivity analysis required in the disclosures will certainly be very complex and offer little if any benefit to the users of our financial statements. The systems which must be designed to manage these complex processes will be expensive in terms of accounting design, data capture for the level 3 inputs and ongoing personnel time.

The treatment of comprehensive income will also be affected by this proposal. Historically comprehensive income has been based on how a company manages its business. Under the proposal, comprehensive income will include adjustments for assets and liabilities, as well as non-financial assets and liabilities. Again, these will only confuse the users and reduce the comparability between banks regarding their financial results.

In summary, First PREMIER Bank strongly urges the FASB to reconsider this exposure draft as the negative impacts on the banking business model and required reporting outweigh any perceived gain. As a banker and one heavily involved in the reporting aspect, I believe the fair value accounting was a significant factor in exacerbating the financial crisis by its procyclical nature. Any expansion of fair value may in fact make the situation worse and could undermine all efforts to restore our nation's economic stability.

Thank you for your consideration of these comments on this exposure draft.

Sincerely,

Cynthia M. Scheid Assistant Controller

First PREMIER Bank

Cynthia M. Scheid