Kansas Bankers Association

September 15, 2010

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

Re: File No. 1810-100: Accounting for Financial Instruments

Dear Mr. Golden:

Thank you for the opportunity to present written comments on this most important Exposure Draft. The Kansas Bankers Association is a non-profit trade organization which has as members, 309 of the 313 Kansas chartered banks. Our comments are limited to the classification and measurement of financial assets and liabilities. We do not have the expertise on staff to enable us to comment on the other provisions of the Draft, but would join in the comments of the American Bankers Association's letters which are numbered 229, 229A and 229B.

Kansas is a state dominated by community banks with strong ties to the people living in those communities – many of whom are investors in these community banks and sit on the boards of directors. It is with these many stockholders in mind that we submit our comments, for it is with the stroke of a pen that changing the accounting method for valuing assets, can diminish the investment that these people have made, or will be willing to make in the future.

Regardless of the turn of events in the world around us, the economic reality of the loan portfolio for banking institutions, is to hold those assets to maturity. Loans are not made with the expectation that economic events will cause immediate fire sale of the entire loan portfolio. Requiring the reporting of financial instruments, including loans, at fair or market value on the balance sheet will distort the actual value of these assets. Even in these dire economic times, if a borrower experiences financial problems, the first inclination of the banker is to work out the loan and keep the borrower in business. It is not to immediately liquidate the loan.

Banks must implement this type of strategy in order to manage their loan portfolio against the liabilities held in the bank. In other words, the bank's assets (loans) are strategically matched against their liabilities (deposits) to assure investors that the business plan they have set forth is being followed and to hopefully, lead to a profit for those investors. To change this strategy for the bank, is to throw that balance into chaos. In other words, requiring that all loans be reported at fair or market value is at best difficult to do, as there is no daily, liquid market for loans, or for core deposits for that matter.

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The bank's business strategy is based on making long-term investments, such as loans. It is a strategy that many investors rely upon and acknowledge as one that encourages future investments in banking institutions. We would respectfully urge the Board to reconsider this portion of the Exposure Draft in favor of a draft that would more closely reflect the business strategy of the banking industry.

Thank you for your time and the opportunity to present comments.

Sincerely,

Charles A. Stones
President

Kathleen A. Olsen
SVP-General Counsel