The BusinessBank

September 7, 2010

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

Dear Mr. Golden:

I am writing to express my grave concern and misgivings regarding the Financial Accounting Standards Board's recent draft which proposes "Mark to Market" accounting for financial instruments. The concept of mark to market simply isn't workable for most Banks because no active or reliable market exists for the vast majority of loans in banks' portfolios. That is to say, no efficient market exists. An attempt to mark the financial instruments of a banking institution to market would be impractical if not impossible.

Furthermore, loans cannot be categorized like investment securities. Each loan is unique unlike a traded security and the characteristics of individual loans are in a constant state of flux. What is the bigger distortion; to treat all loans of a certain type as a "security" or to individually risk rate the loans and reserve for them (as most banks currently do)?

Finally, not only is there a lack of an efficient market and credible rating system, but also the distortion that such a system would create in the investment community and their confidence in the financial services industry. The accounting industry must recognize that there are fundamental differences between investment securities and bank loans. When bundled as sold as a security, the underlying collateral is not what's being traded. It is this difference that lies at the core of the why "market to market" accounting is inappropriate and a bad idea for the banking industry.

Sincerely,

Harold C. Rauner
President and CEO

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