1810-100 Comment Letter No. 602



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> JOHN A. SHELLEY President, CEO and Chairman of the Board

September 8, 2010

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

File Reference: No. 1810-100 Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

Dear Mr. Golden:

As a bank investor, owner, and executive officer of a community bank, I wish to express my opposition to the portion of the proposal that requires all financial instruments, including loans, to be marked to market. This puts in jeopardy the most important element of a bank's operation, capital.

Market values of loans are never discussed or considered in conversations with regulators, board members, or owners of our institution; the interest is in how loans perform and not how the market views the loan or its characteristics due to the fact that loans are not being sold into the marketplace. Loans are unique in their characteristics, i.e. terms, rates, collateral, etc. with a vast majority having no <u>reliable</u> market in which they could be sold. That leads only to a subjective value, which in all probability, will be restrictive and thus, <u>unfair and unreliable</u>. As a result, bank capital could be and will be negatively affected by artificial market volatility.

Another serious concern will be in the budgeting, planning, and capital adequacy policies and procedures. With the advent of <u>artificial</u> volatility, owners and management alike will face pressure to reduce this false volatility, thus, changing traditional community banking operations to a non-banking financial institution. Products and services could be and would be eliminated that have proven to be the backbone of traditional community banking, which in my opinion, is the foundation for any economic success this country achieves. This pressure, coupled with new compliance issues and regulations, will increase costs and resources exponentially, again resulting in eliminating traditional products for customers.

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With respect to the aforementioned, I recommend the removal of the marked to market issue for loans.

Thank you for your time and consideration.

Sincerely,

obn A. Shelley President and CEO

JAS:bap