

**From:** [tobrien@statebankofli.com](mailto:tobrien@statebankofli.com)  
**To:** [Director - FASB](#)  
**Subject:** File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"  
**Date:** Thursday, September 16, 2010 7:32:39 PM

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Thomas O'Brien  
2 Jericho Plaza  
Jericho, NY 11753-1658

September 16, 2010

Russell Golden  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7, PO Box 5116  
Norwalk, CT 06856-5116

Dear Mr. Golden:

Thank you for the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

As President & CEO of State Bank of Long Island, a banking institution in Jericho, NY with \$1.6B in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

I am strongly opposed to the portion of the proposal that requires all financial instruments - including loans - to be reported at fair value (market value) on the balance sheet. Community banks like ours are in the business of making illiquid loans customized to an individual borrower's needs, circumstances and other non-market sensitive matters.

Our bank never sells our commercial loans. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is not the case. These market values would be arbitrary and ill conceived and increase compliance costs while adding nothing to true transparency. There is no reliable tool for fairly measuring our loans "market value" and the adoption of this proposal will increase litigation risk for officers and directors as the plaintiff's bar looks to find novel causes of action.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets - even if the entire loan portfolio is performing. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would mask it.

Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our investors, customers and depositors adding another layer of complexity and opaqueness.

The costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants and auditors to estimate market value.

Our investors have expressed no interest in receiving this information. We believe our investors would not view these costs, which must come out of bank earnings, as being either reasonable or worthwhile.

For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be dropped.

Thank you for considering my comments.

Sincerely,

5164955103  
President & CEO  
State Bank of Long Island