



September 23, 2010

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

Via email  
RE: File Reference No. 1810-100  
Accounting for Financial Instruments

Dear Sir or Madame:

Our bank has read the above referenced standard being proposed to mark to market proposal for accounting (the "Proposal") for financial instruments. Management and the Board of Greenfield Co-operative Bank (the "Bank") have discussed and considered the impact of the Proposal on users of financial statements, banking, and businesses in general. On behalf of the Management and Board of the Bank, I am writing to express deep concerns with regard to how detrimental this standard may become to our Bank and all community banks if placed into practice.

My understanding is that the Proposal is largely an effort to help correct and avoid financial reporting deficiencies that contributed to the financial crisis which began in 2008. While any standard may be improved, there is substantial evidence that the underlying analysis and assumptions applied to risk modeling and avoidance by many people with regard to reporting these substantive facts caused more of the issue than balance sheet or income statement inaccuracies caused by faulty accounting standards. Had footnote reporting properly disclosed risks and assumptions much of what caused this current crisis would have been reported and transparent well before 2008. If regulation, oversight, and basic forthright intention does not properly exist then no accounting standard will correct what caused the "crash of 2008".

As far as the usefulness to the users of financial statements, we strongly believe the Proposal adds a level of complexity to an already arduous task of understanding any financial statements. One of the basic elements all users of financial statements require is the basic understanding of cash flows and whether any company can meet its obligations and continue operating. The Proposal steps past some of the basic financial statement needs to address a perception of a larger need to assess earnings levels. How will the new Proposal meet or improve cash flow or going concern issues?

Speaking further to the element of all users of financial statements, how will the average person be able to use the information produced by the Proposal? There are a great number of “everyday” people who use financial reporting information as a result of offerings such as self-directed 401(k) plans and on-line investment account products. The Proposal seems focused towards use by experienced financial statement users with the real possibility that less sophisticated financial statement users will be more confused rather than being helped.

Within the banking industry, there were proportionately only a few banks that were involved in causing the “crash of 2008”, yet the Proposal stands ready to place a large reporting burden on literally thousands of community banks such as Greenfield Co-operative Bank. Of the relatively few banks involved with causing the financial crisis, the reporting of market values took place in their footnotes to the financial statements. Changing the location of the information to the balance sheet for the companies involved with causing the crisis would not have changed the underlying problem of improper risk measurement and “irresponsible” reporting.

The thousands of community banks such as ours that do not take part in securities sales or trading practices as a “driver” of their business model will be herded into a “one-size-fits-all” approach under the proposed standard. The Proposal points toward use for publicly traded securities and investment markets while the average community bank has its financial statements used little, if at all, for publicly traded purposes. Community banks that got themselves in trouble through this economic downturn did so almost exclusively through their credit underwriting (lending) practices

With regard to all industries and not just banking, there seems to be a gaping hole in this entire Proposal and how it will be applied. If banks are required to apply the Proposal specifically to loans, how will small business customers apply the Proposal on their books? This is elemental bookkeeping. For example, if a bank has a loan on its books for \$100,000 to a business that is a customer, the customer should have the same corresponding balance.

Under the Proposal and how a bank would have to account for a simple small business loan, how would the small business account for their side of the transaction as the new Proposal would apply to all businesses required to use accrual based accounting to comply with GAAP? Loans (liabilities) on business customers’ books are a result of a financial instrument that may be sold and would require the same valuation and reporting by bank loan customers for the

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benefit of the users of their financial statements. The overall point being that historical cost applies well to community banking where simple loan transactions “drive” much of the American economy.

Instead of issuing a new accounting standard like the Proposal that changes amounts reported on balance sheets and income statements, a more practical and workable solution has two parts. First, proper footnote disclosure of risk and detailed descriptions of business models and intentions by companies both publicly traded and privately held under the current standards could have prevented much of what happened in the current crisis. The underlying credit risk and other risk assumptions on many securities were never disclosed or were not clearly stated. This is an issue of simple honesty by companies in reporting as opposed to the format of the reporting.

Second, education for the “average user” would seem not only appropriate but essential. Many individuals did not have access to information written in plain language as to how to read a financial statement, yet have had to make and will continue to have to make investment decisions about their retirement and investment funds without any such information being available. The expectation gap that has always existed between investors and the people who produce financial statements has only grown and will continue to grow with more complex standards. The users of financial statements include all people, not just financial professionals.

Because of this, we urge the Financial Accounting Standards Board to withdraw its Proposal and work with the banking industry toward a mutually acceptable solution to address your concerns.

Thank you for your consideration.

Respectfully submitted,

Eric A. Marsh, CPA  
SVP/Treasurer & Chief Financial Officer  
Greenfield Co-operative Bank

Cc: Michael Tucker, President & CEO, Greenfield Co-operative Bank  
Dan Forte, President, Massachusetts Bankers Association