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September 28, 2010

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

Via email: director@fasb.org

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

Re: Classification and Measurement of Financial Assets and Liabilities

Dear Mr. Golden:

The Hawaii Bankers Association (HBA) appreciates the opportunity to comment on the Exposure Draft: *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* (ED). HBA represents all FDIC insured depository institutions and is the voice of Hawaii's \$40 billion banking industry and its 7,200 employees. HBA members are all traditional community based banks that serve the unique needs of our island State.

HBA is 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.

In the ordinary course of business, HBA member banks do not sell commercial loans. In fact, Hawaii banks need to grow its commercial loans since more than 70% of income is derived from interest. Thus to base a balance sheet on fair value leads readers of Hawaii banks financial statements to assume that they will sell the loans, which is not the case.

If there are issues with a borrower's ability to repay a loan, Hawaii banks will work through the collection process with the borrower rather than sell the loan. Being traditional community banks, we are in the best position to work with troubled borrowers since we know our marketplace and have intimate knowledge about the borrower.

Even if we could easily obtain a fair market price, loans are just one part of the financial relationship that Hawaii banks have with their customer (multiple loans, investment and trust services, etc.), so there is no financial incentive to sell. Rather, being an island state with a limited market, we need to develop a full relationship with clients, which means we need to keep the loans on our books so that we can develop other income producing relationships.

The costs and resources that Hawaii banks will need to comply with this new requirement would be significant. This will require Hawaii banks to pay consultants and auditors to estimate market value. Hawaii banks are not large national or regional banks that have scale and resources to absorb these added costs to comply. These added costs do not benefit our local community, but, rather just saps capital that can be used to make loans or provide other needed services for our community.

While we can understand the need to provide relevant information to investors, we need to balance this against the needs of the local community banks serve. Does the added cost to implement fair market value really benefit the public at large and will this really be of value to investors? I suspect not.

Thank you for consideration of my comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gary Y. Fujitani', with a long horizontal flourish extending to the right.

Gary Y. Fujitani
Executive Director