



September 28, 2010

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5166
Norwalk, CT 06856-5116

RE: File Reference No. 1810-100

Dear Mr. Golden:

We appreciate the opportunity to comment on the Financial Accounting Standards Board's (FASB) Proposed Accounting Standards Update, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" (Proposed ASU). Shatswell, MacLeod & Company, P. C. provides audit, tax and consulting services to over 120 financial institutions in New England and New York state ranging in size from under \$100 million to over \$3 billion.

Our clients support transparency in financial reporting and have been supportive of the FASB's goals in providing meaningful information to the users of their financial statements. However, in regard to the Proposed ASU, our clients strongly oppose many of its key provisions. Provisions within the Proposed ASU that are of significant concern include the reporting of loans and other financial instruments at fair value; the remeasurement approach for core deposits; and the requirement that interest income be recognized by applying a financial asset's effective interest rate to its amortized cost less any allowance for credit losses.

We support the views of our clients as they relate to the Proposed ASU.

- We feel the Proposed ASU does not achieve its goal of improved financial transparency and clarity in financial reporting. Our clients' business model is to hold financial assets such as loans to maturity and collect the contractual cash flows throughout their term. These financial assets are not traded and, therefore, reporting these financial instruments at fair value would be inconsistent with how our clients manage their institutions and would conflict with their business model. Additionally, fair value reporting information may confuse certain users of the financial statements since it could suggest that the financial institution's business model is to sell financial assets as opposed to retaining them to maturity.

- Similar to our view on financial assets such as loans, we disagree with the proposed remeasurement approach for core deposits. The objective of the remeasurement approach is to reflect the interest rate sensitivity of the deposit base, which mitigates, in theory, the interest rate risk within the loan portfolio under a fair value model. However, we feel that reporting financial assets at fair value and remeasuring core deposits is inconsistent with our clients' business model and the way they manage their balance sheets.
- Measuring financial liabilities at fair value may not be an appropriate approach in many instances. Our clients do not typically transfer financial liabilities and in most, if not all, cases financial liabilities are settled with the counterparty. Our view is that amortized cost would be the appropriate default measurement for financial liabilities.
- Our view and the view of our clients on interest income recognition is that interest income should not be recognized based on applying the effective interest rate to the amortized cost of the financial asset less the allowance for credit losses, if any. We feel the existing model of income recognition is more operational in nature and provides more useful information to the users of the financial statements.

Thank you for allowing us to comment on the Proposed ASU. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

Shatswell, MacLeod + Company, P.C.

SHATSWELL, MACLEOD & COMPANY, P. C.