

September 23, 2010

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

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

Dear Members of the Financial Accounting Standards Board:

On behalf of Regent Bank, our Shareholders and the communities we serve, I am writing today to express my concern with and opposition to FASB's proposed changes to the way our Bank marks its financial instruments; namely, the expansion of fair value accounting to all financial instruments. While my letter will not address all our concerns, I think it is very important to specifically address some of the more egregious parts of the proposed changes. Our industry has consistently opposed a fair value accounting model for the core banking activities used in our industry. We shudder when we think what the impact to our industry would have been 2007/2008 if this model you are proposing had been in effect.

The changes proposed in No. 1810-100 expand current mark-to-market accounting by requiring financial institutions to record all financial assets and liabilities at fair value on their balance sheets. However, these changes fail to take into consideration the fact that commercial banks hold financial instruments like loans for long-term investment purposes-not for trading purposes. Forcing these banks to begin account for long-term investments at fair value will result in a significant change in their capital because these assets most often have no active markets. It will also put a tremendous amount of pressure on the lending equation, leading to decreased lending at exactly the time the country needs to have lenders willing to make loans to small businesses-which are the "engine" of our economy.

Furthermore, banks will have to incur significant costs in order to provide these fair value estimates at what appears to be of no benefit to the customer, the shareholder or the bank. Without implying that our customers and shareholders are not savvy, we are very concerned that few people will understand the nuanced change of fair value results. Rather, we fear customers and shareholders will see significant drops in their bank's capital-both because of the move from amortized accounting for long-term investments and because of the higher costs associated with providing these fair value estimates-and mistakenly believe the bank's capital reporting is unreliable.

Our national trade association affiliate (the American Banker's Association) has filed a lengthy and very comprehensive response to the proposal being offered. We support their positions.

Thank you in advance for your time and careful consideration of the above. It is our request that FASB would withdraw this proposal.

Respectfully,

Dow R. Hughes Chairman

