

From: rthurley@firstfarmlbank.com
To: [Director - FASB](#)
Subject: Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" Exposure Draft
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September 20, 2010

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

Dear Mr. Golden:

I am writing to urge FASB to not go forward with the proposal.

The primary business of community banks is to hold financial instruments to collect contractual cash flows, not to trade them on a regular basis.

Community banks fund their operations by taking deposits and holding loans for the long term. Most financial instruments this bank holds are not readily marketable.

Accounting standards and guidance should not be pro-cyclical. Recent market conditions have demonstrated the pro-cyclical nature of mark-to-market accounting as declining values of financial instruments necessitated write-downs and sales, causing further write-downs and sales.

What sense does it make for a bank to be tied to current market values when market values always change and can change substantially in a one year period creating a situation of needing more capital in one year and less in another? Maybe we should have something called virtual capital, something that can change opposite to changes in market valuations and we can keep track of that when interest rate changes, effectively eliminating this whole concept.

I am sure a study has been made of what the valuation of Lehman Bros. would be today versus when it collapsed. Also, what sense does it make to have government step in and provide a 15% equity cushion to Citibank when most investors would have not touched investing more capital in Citibank. If market values are to be used, we can not have government intervention mucking up the waters. Today, 125 banks have collapsed requiring some sort of rescue from another party like the FDIC to make the transaction whole. I don't think market value accounting would have changed any of these situations.

Again, we thank you for the opportunity to comment on this proposal.

Sincerely,

Richard Thurley
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