August 10, 2010

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

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

Dear Mr. Golden:

I appreciate the opportunity to comment on the exposure draft *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* ("proposal"). As a bank investor, transparent financial reporting is critical to making investment decisions and I deem very important for the bank in which I own stock. As such, I am writing to express my deep concerns and opposition to the proposal as it relates to the requirement of all financial instruments to be marked to market. As a bank investor, I truly believe this proposal will only hinder transparency and comparability of banks' financial statements rather than improve it. I am also deeply concerned that the proposal will put into question the most critical element of all, bank capital.

In your proposal, banks must record loans on the balance sheet at their market value. In all my dealings and correspondence with bank management regarding financial performance, market values of loans are never discussed. This is because investors are more interested in how a loan actually performs, not how the market views that loan. I simply don't believe the focus on mark to market is relevant for loans that are not being sold. In addition, most banks have no reliable market in which they can sell their loans which calls into question the reliability of using fair value as the basis for financial reporting. In reality, banks are dealing with portfolios made up of loans with individualized payment terms, collateralization and guarantee structures, which further substantiates the fact there is not a reliable market in which these loans could be sold. Even if there were active markets, fair value is not the appropriate measurement for these loans because it does not reflect the inflow of cash to the bank from these financial instruments.

I realize that a loan's intrinsic value may change because of the current interest rate environment or because of problems the borrower may be experiencing. However, I can tell you based on my experience that a bank's typical response to a problem credit is to work with the borrower to get repayment, not to respond by selling the loan. Because of this, the market value of the loan becomes completely irrelevant because the bank is not going to sell the loan. This proposal will cause a bank's capital to be impacted by market swings despite the fact that these market swings will most likely never be realized by the bank.

Although I do not view a loan's mark to market as a true volatility, I fear some bank investors will have trouble wrapping their arms around the true financial position of a bank. I fear this will lead some investors to put pressure on banks to reduce this so called volatility, and as a result banks will

have to shift their business models. My concern is that this will cause banks to move from a more traditional banking model to an investment banking model, and as such, will limit a bank's product offerings. While it may be an unintended result, I don't believe accounting should dictate the business model in this case.

As a bank investor, I have serious concerns about the costs and resources that will be needed to implement this proposal. We have learned from the recent financial crisis that markets can be very illiquid and sometimes irrational. Because banks do not use fair values in managing their cash flows, I anticipate banks needing more resources, which means hiring more staff and/or consultants to assist with estimating fair values and to pay significantly higher audit fees. In the end, investors will be paying consultants and auditors significant sums to make estimates that my fellow shareholders and I will do nothing with.

With this in mind, I respectfully request that FASB withdraw the proposal to mark loans to market. As a bank investor, I do not believe it will improve financial reporting but rather cause confusion and cloud transparency.

Thank you for considering my views. Please feel free to contact me if you would like to discuss my concerns.

Sincerely,

Donald R. Updegraff

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