

**From:** [rhypes@firstcentury.com](mailto:rhypes@firstcentury.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  
**Date:** Thursday, September 30, 2010 11:28:17 AM

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James Hypes  
P.O. Box 1559  
Bluefield, WV 24701-1559

September 30, 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 as the Chief Financial Officer of First Century Bankshares, Inc., a \$417 million financial holding company headquartered in Bluefield, West Virginia. I appreciate the opportunity to comment on the above referenced Exposure Draft.

I would respectfully request that you withdrawal the proposal and not go forward with the accounting changes contained in the Exposure Draft. In my view, the accounting that would result if this proposal went forward would misrepresent the operational model of our community bank whose practice it is to hold financial instruments, i.e. loans to small businesses and retail customers in our local community, to collect contractual cash flows, not to trade them on a regular basis.

I have been involved in accounting for financial institutions since my career began in 1980, and have watched the evolution of "fair value" accounting from its roots in "fair market" value. In its infancy, fair market value seemed a reasonable measure as it was based on true, third party, functioning markets for certain asset classes. But this evolution to the current environment where each company can determine the value of assets and liabilities based on wide ranging assumptions that are contrived within the accounting departments of the company does not reflect the true economic model that the company uses to manage the organization, nor does it allow for comparability of the financial information presented from one company to another.

Furthermore, if these measurements become the de facto accounting rules for such instruments, there will be no incentive for a community bank to make the types of loans that will be necessary to turn the corner on the current economic crisis. Banks will become unwilling to make longer term fixed rate loans that have the potential to erode capital levels simply due to fluctuations in interest rates. Our bank does not sell the loans we make to commercial customers as there is no active market for such loans. Our customers rely on the availability of credit that our bank provides and the stability to know that we will be there to work with them when we encounter economic cycles such as the one we currently experience.

Additionally, as a small company, we have limited staffing resources to assign to compliance with the Exposure Draft. I am concerned about the ability of our bank to develop the methodology necessary to create the values required under the Exposure Draft. These new rules would require an exhaustive process to be completed each quarter in order to file our financial statements. Determining these values for loans will be sufficiently difficult as I previously mentioned, but to develop "fair value" for deposits will be more difficult with the myriad of assumptions that create deposit values.

For these reasons, I again respectfully request you withdraw the proposal and develop a standard that truly reflects the business model of community banking.

Thank you again for the opportunity to comment.

Sincerely,

James Hypes  
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