

**From:** [rhillick@adironackbank.com](mailto:rhillick@adironackbank.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 10:03:26 AM

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Robert Hillick  
202 Lorrie Lane  
Whitesboro, NY 13492-3228

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:

Thank you for the opportunity to comment on FASB's Exposure Draft: Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities.

I am writing to urge FASB to not go forward with this burdensome and proposal.

The changes in the fundamentals of accounting principle that would result from this proposal would greatly misrepresent the true financial condition of our bank and other community banks.

Our primary business is to hold financial instruments and to collect the contractual cash flows, not to trade them like marketable securities.

We fund operations by taking deposits from our customers and originating and holding loans to our customers for the long term. Most financial instruments this bank holds are diverse and not readily marketable.

We oppose the proposed accounting treatment for core deposits which calls for them to be regularly remeasured using a present value calculation. This would not provide reliable, consistent, verifiable and accurate information. Each bank value would depend on a substantial amount of judgement and make comparability of bank financial data unreliable and unverifiable. The calculations would require that we engage an expensive consultant to perform this time consuming and complex process as community banks have limited staff resources to conduct this type of analysis, let alone be able to substantiate it for audit and regulatory examination.

We also oppose requiring fair value calculations for loans that are held for the long-term to collect cash flows on the same basis.

Fair value measurements will not provide a better understanding of the values of illiquid small business and professional personal loans held by community banks in more rural areas such as this bank.

Our bank, like most community banks, originates and holds small business

loans for which there is no active market. It would be very difficult and frankly a highly subjective exercise to mark to market the small business loans that community banks structure to fit their customers needs.

Our bank believes that the expanded reporting of comprehensive income is unnecessary, very confusing and of little practical use to the vast majority financial statement users. It would create more confusion and reduce clarity of financial resenation to the majority of readers.

Our bank, like most community banks I know, would welcome the greater flexibility in setting the allowance for loan and lease losses. As community bankers are keenly aware of economic cycles and the difficulty presented in absorbing current losses, increasing reserves and raising capital during times of economic stress.

Accounting standards and guidance should promote stability and consistency in the economy 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.

Mark to market accounting is a theoretical not a practical from an accounting perspective nor from an ability to audit perspective. This principle serves as an accelerant to an economic fire and if implemented could cause widespread destruction of capital and force all but the largest and strongest companies out of business during an economic downturn. Additionally, it could lead to overly optimistic views during economic good times.

If implementd these accounting changes will increase the volatility of bank balance sheets, forcing them to face higher capital requirements. These requirements will cause banks to shrink their total assets by reducing lending and discouraging deposits, at a time when our economy needs more, not less, credit availability.

This steadily increasing level of financial reporting FASB is requiring approaches the levels of what is required in a prospectus by the SEC. This is an unsustainable burden on small companies for their routine financial reporting, enough!.

Thank your for the oppportunity to comment on this proposal.

Sincerely,

Robert Hillick  
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