1810-100
Comment Letter No. 2271

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September, 20 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:

Thank you for the opportunity to comment on the exposure draft *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* ("proposal"). I oppose the unrealistic portion of the exposure draft that requires all financial instruments (including loans and deposits) to be marked to market, and believe it would cause great harm to the value of my bank holdings.

As a bank investor, transparent financial reporting is key in order for me to make investment decisions. This proposal will cloud transparency rather than improve it, and put into question the most critical element of bank financial statements: bank capital.

In your proposal, banks must record loans on the balance sheet at their market value. The market values of loans has never been a factor that effects my decision to invest or divest bank equity. The reason for this is that investors are interested in how loans perform, not how the market views loan performance. With individualized payment terms, collateralization, and guarantee structures, the vast majority of commercial bank loans have no reliable market in which they could be sold, further calling into question the reliability of using fair value as the basis for financial statements. Even if there were active markets, fair value is not the appropriate measurement for these loans since it does not represent the cash the bank will receive.

As a result of your proposal, bank capital will be affected by market swings that cannot reasonably be expected to ever be realized by the bank.

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Another serious concern I have is whether, because the proposal to mark loans to market does not reflect a bank's business model, requiring them to do so could result in a need for banks to change their business models. This may result in shifting toward an investment banking model rather than a traditional banking model, or result in limiting products to those that are sheltered from market volatility. This, to me, seems to be an illogical and unintended result and a situation where the accounting should not be driving the business model.

Additionally, I am very concerned about the costs and resources that will need to be dedicated to produce and audit such worthless data. We have learned from the recent financial crisis that markets are sometimes illiquid and sometimes irrational. Because banks do not use fair values in managing their cash flows, I anticipate that this could require banks to hire 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 recommend you to drop your proposal to mark loans to market, as, from my perspective as an investor, it does not improve financial reporting.

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

Sincerely,

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