



May 15, 2013

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

**RE: File Reference No. 2013-220, *Recognition and Measurement of Financial Assets and Liabilities***

To Whom It May Concern:

On behalf of our 180 member banks located throughout the Commonwealth and New England, the Massachusetts Bankers Association (MBA) appreciates the opportunity to provide our comments on the Financial Accounting Standards Board's exposure draft entitled Recognition and Measurement of Financial Assets and Liabilities. MBA and our member institutions strongly support transparency in financial reporting; however we do have concerns with several aspects of the Exposure Draft, particularly as it relates to the treatment of equity securities.

Many of our state-chartered bank members have investment powers that have existed in some cases as far back as the 1800s. These activities were re-affirmed as a safe and sound practice in Section 24 of the Federal Deposit Insurance Act (FDIA) in 1991. Specifically, in Massachusetts and New England, subsection (f) of section 24 generally permits certain insured state banks to make limited investments in equity securities that would not otherwise be permissible. The vast majority of our member banks that have equity portfolios utilize them for long-term investing – not as active trading portfolios.

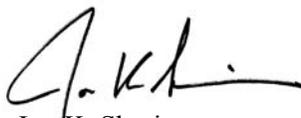
It is our understanding that the ED would require institutions to record any unrealized gains or losses on these equity portfolios through their income statements. This would introduce considerable volatility into the income statements of most institutions, given the unpredictability of the stock market over the last several years. In addition, this new requirement would make a bank's income statement not truly reflect bank performance but rather highlight paper gains and losses in the institution's equity portfolio.

As you know, the pending Basel III capital rules and the Standardized Approach proposal assign higher risk weightings to equity securities held by depository institutions. Under these proposals, the unrealized gain or loss on available for sale securities would be included in the common tier one capital calculation. In addition, the risk weighting of equities would increase from 100 percent to 300 percent in the risk-weighted capital calculation. These changes, in combination with the changes proposed in the ED, could lead to increased regulatory scrutiny of banks that maintain equities portfolios, therefore limiting a key source of revenue and risk diversification. The proposal would also make comparison of financial statements to those issued prior to the change being implemented as well as other financial institutions extremely difficult.

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Because of these concerns, MBA strongly encourages FASB to reconsider this proposed accounting change. Thank you for the opportunity to comment on the Exposure Draft. Please contact me if you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon K. Skarin". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jon K. Skarin

Senior Vice President, Legislative & Regulatory Policy