1810-100
Comment Letter No. 346

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

Via email to director@fasb.org

RE: File Reference No. 1810-100

Dear Members of the Financial Accounting Standards Board:

The Pennsylvania Bankers Association (PBA) appreciates being afforded this opportunity to comment on the "mark to market" aspect of FASB's pending *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* accounting proposal. PBA is the statewide trade association representing 149 commercial and savings banks, trust companies and their affiliates in the Commonwealth of Pennsylvania.

PBA's member bankers have warned against the unintended consequences of "fair value" accounting for decades. Member banks' concerns about this method's lack of reliability and its devastating pro-cyclical effects were clearly evidenced during the 2007-2008 financial crises.

As the comment letter (#229) recently filed by the American Bankers Association (ABA) wisely states, accounting for financial instruments should be based on the business model. Instruments managed for fair value and trading purposes should be accounted for at fair value, while those managed for long-term investment to collect the contractual cash flows should be accounted for at amortized cost with a vigorous impairment model. Such an accounting model reflects how the entity will generate its future cash flows. Most important, it would reflect how the company manages its business which is the key information investors most need and desire.

That being the case, PBA has long opposed the fair value accounting model for core banking activities because it is not relevant to the community banking business model; would undermine the reliability in bank capital levels, decrease comparability between banks; and introduce complexity where complexity is neither necessary or useful.

As ABA stressed in its comments, fair value accounting would impose significant costs on banks with little benefit to users of their financial statements. It would change the concept of "comprehensive income" substantially. It would complicate efforts to converge GAAP with International Financial Reporting Standards thus creating a competitive disadvantage for U.S. banks. In addition, it would add unnecessary pro-cyclicality to the financial system.

In light of these concerns, PBA respectfully requests the withdrawal of this proposal.

Sincerely,