From: Ian McMahon
To: Director - FASB
Cc: Rick Cantele
Subject: File Reference No. 1810-100
Date: Thursday, September 23, 2010 12:37:41 PM
Attachments: FASB comment letter 2010-09_Russell Golden.doc

September 23, 2010
Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference No. 1810-100

Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" Exposure Draft

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.

Salisbury Bancorp, Inc. ("Salisbury"), a Connecticut corporation, formed in 1998, with total assets of $565 million at June 30,2010, is the bank holding company for Salisbury Bank and Trust Company (the "Bank"), a Connecticut-chartered and Federal Deposit Insurance Corporation (the "FDIC") insured commercial bank headquartered in Lakeville, Connecticut. Salisbury common stock is traded on the NYSE Amex Equities under the symbol "SAL". Salisbury's principal business consists of the business of the Bank. The Bank, formed in 1848, provides commercial banking, consumer financing, retail banking and trust and wealth advisory services through eight banking offices, ten ATMs and its internet website (www.salisburybank.com) in the States of Connecticut's Litchfield County, Massachusetts' Berkshire County and New York's Dutchess County in towns proximate to the Bank's eight full service offices. The Bank's market place is predominately rural.

The Bank originates commercial loans, commercial real estate loans, residential and commercial construction loans, residential real estate loans, home equity lines of credit and fixed rate loans and other consumer loans.

The Bank offers a variety of deposit accounts with a range of interest rates and other terms, which are designed to meet customer financial needs. Deposits represent the Bank's primary source of funds. Retail and commercial deposits are received through the Bank's banking offices. Additional depositor related services provided to customers include ATM, telephone, Internet Banking and Internet Bill Pay services.

The Bank is a member of the Federal Home Loan Bank of Boston (the "FHLBB") that provides credit facilities for regulated, federally insured depository institutions and certain other home financing institutions. The Bank uses FHLBB advances as a source of funding for short term liquidity needs and long term asset growth. The Bank is

required to own capital stock in the FHLBB. The Bank's advances are collateralized by residential real estate loans and securities.

The Bank maintains a fixed income securities portfolio to help manage liquidity and interest rate risk. Securities are also used to collateralize deposits placed by municipalities and schools, and Bank borrowings. Securities include U.S. Government and Agency securities, mortgage-backed securities, collateralized mortgage obligations and bank qualified tax exempt municipal bonds. Securities are held to maturity.

The Bank does not engage in trading activities for any of its assets or liabilities.

The Bank provides a range of fiduciary and trust services and general investment management and wealth advisory services to individuals, families and institutions.

I am writing to urge FASB to not go forward with the proposal.

- The accounting that would result from this proposal would greatly misrepresent the financial condition of the Bank and other community banks.

- The primary business of community banks, such as the Bank, is to hold financial instruments to collect contractual cash flows. The Bank's earnings are derived from the interest rate spread between its earning assets and funding liabilities. The Bank does not trade financial instruments. Consequently, the usefulness of fair value information is anecdotal.

- The Bank funds its operations primarily by taking deposits and holding loans for the long term.

- Most of the Bank's loans are not readily marketable. There is no active market for the types of small business loans, and a limited market, if any, for residential mortgage loans that the Bank holds in portfolio. Consequently, it would be very difficult and costly to establish fair values for the majority of the Bank's loans. We oppose the proposal to try to quantify estimated values of assets for which there are no markets or real prices, since these loans are held for the long-term to collect cash flows.

- The proposed accounting treatment for core deposits which calls for them to be regularly re-measured using a present value calculation, and the proposal to record demand deposits at fair value, would provide inaccurate and confusing information for readers of the Bank's financial statements. The Bank does not trade its deposits. We oppose these proposals.

- The Bank's holding of FHLBB stock, a membership requirement, is not readily marketable.

- The Bank neither has the systems nor expertise to model values for all of the Bank's financial instruments and the cost to do so, or purchase external modeled values, will be prohibitively burdensome. The proposal will also increase the Bank's SOX compliance costs. We believe that the resulting type 3 fair value information will have negligible usefulness to Bank management or shareholders.

- The proposed expanded reporting of comprehensive income is

unnecessary, confusing and will be of little use to the Bank's financial statement users.

● A review of community bank loan loss experience data over the last 30 years shows the need for flexibility in setting the allowance for loan and lease losses. Prudent credit risk management necessitates the consideration of the business cycle when assessing reserve adequacy. Economic cycles remain an aspect of market-based economies and it is unrealistic to presume that community banks can make-up reserves during economic downturns, as is evidenced by the number of bank failures during the current economic crisis. Capital markets are typically unavailable to community banks during such periods. We object to the proposal to restrict community banks ability to prudently manage their allowance for loan and lease losses because it will exacerbate the probability and severity of community bank failures during periods of economic stress.

● We object, on economic policy grounds, to the creation of accounting standards and guidance that are 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. The proposed accounting changes will exacerbate cyclicality in financial results due to the greater reliance on fair value measurements, valuations that will be less accurate than current accounting requirements. These accounting changes will increase the volatility of bank balance sheets, forcing them to face higher capital requirements or decrease lending at a time when regulators are calling for more capital and our economy needs more, not less, credit availability.

Again, we thank you for the opportunity to comment on this proposal.

Yours sincerely,

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Chief Financial Officer

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Thank you.

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