1810-100
Comment Letter No. 2335

September 27, 2010

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

Re: File Reference #1810-100

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." As a CPA and Vice Chairman & Chief Financial Officer of TriState Capital Bank, a banking institution in Pittsburgh, PA with $1.8B in assets, I am writing to express my opinions on specific provisions of the exposure draft.

I. Mark to Market

I am strongly opposed to the portion of the proposal that requires all financial instruments – including loans – to be reported at fair value (market value) on the balance sheet. We do not sell our commercial loans. Basing our balance sheet on fair values, could likely lead readers of our financial statements to assume that we are willing to sell the loans, which is not the case. There is no active market for our loans, and estimating a market value makes no practical sense. Even if we could obtain a market price, the loan is just one part of the financial relationship that we have with the customer (multiple loans, deposits, etc.). Accordingly, there is no incentive to sell. Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets – even if the entire loan portfolio is performing. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would mask it. Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our investors, customers and depositors. The costs and resources that we will need to comply with this new requirement would be significant. Our investors have expressed no interest in receiving this information. We believe our investors would not view these costs, which must come out of bank earnings, as being either reasonable or worthwhile. The average term of our loan is approximately 3 years and, again, they are held to maturity. The mark to market concept would create misleading interim volatility while the end result would be zero. Rather than serve to clarify, it would in fact, serve to confuse.

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II. LOAN IMPAIRMENT

I support the Board's efforts to revise the methodology to estimate loan loss provisions. However, I have serious concerns about how such changes can be implemented. I recommend that any final model be tested by banks with less than $10B in assets in order to ensure that the model is solid and workable in their environment. It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules. I do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis. Changing the way interest income is recorded to the proposed method makes the accounting more confusing and subjects otherwise firm data to the volatility that comes naturally from the provisioning process. I recommend maintaining the current method.

III. HEDGE ACCOUNTING

I support the change of the requirement that a hedge is "reasonably effective" (as opposed to being "highly effective"). This should make it easier for banks like mine to implement hedge accounting. It is very important that the term "reasonably effective" be better defined. I support the change of the requirement that a hedge is "reasonably effective" (as opposed to being "highly effective"). The "shortcut" and the "critical terms match" methods should be maintained. This greatly helps medium and smaller banks reduce the time and cost of compliance with the hedge accounting rules.

Thank you for considering my comments.

Yours Very Truly,

Mark L. Sullivan
Vice Chairman & Chief Financial Officer