

From: mthompson@woodhouston.com
To: [Director - FASB](#)
Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"
Date: Thursday, September 30, 2010 4:03:28 PM

Mark Thompson
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September 30, 2010

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

Dear Mr. Golden:

We appreciate the opportunity to comment on the Financial Accounting Standards Board's Proposed Accounting Standards Update, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"

We think the attributes of relevance, reliability, cost/benefit and decision-usefulness are still benchmarks that should have great prominence in the Board's deliberations on modifying GAAP and we focus on these attributes. We support the Board's objectives of improving the accounting for financial instruments and reducing complexity in the proposed ASU, but believe it falls short of those objectives.

As proposed, the ASU would expand the use of fair value to all financial instruments within its scope and offers limited exceptions for short-term receivables and payables, certain other investments, core deposit liabilities and an entity's own debt. Although we believe fair value provides users of financial statements with decision-useful and relevant information and is a relevant measure for some financial instruments, we do not believe fair value should be the required measurement objective in many cases.

When loans are held for the collection of contractual cash flows we do not support requiring banks to report those loans at fair value. We believe those loans should be allowed to be eligible for measurement at amortized cost. The use of a fair value accounting model in such instances would be inconsistent with how the bank is managed.

A FASB internal project even recognizes "... that increased use of fair value reporting for certain financial instruments, such as deposits and loans, would not provide useful information. In fact, [many investors] believe the information could be misleading because it may not reflect that the entity intends to hold the instrument for collection or payment(s) of contractual cash flows rather than to sell or settle the instrument with a third party."

The proposed ASU states that the remeasurement amount of core-deposit

liabilities is not intended to represent fair value, and therefore, assumptions used to determine the remeasurement amount do not consider assumptions that the market would use in pricing the core-deposit liabilities. Creating a new measurement that disregards both the relevance of amortized cost and the perspective of the market creates undue complexity. The proposed remeasurement approach would not provide users with decision-useful and relevant information, and would reduce comparability and reliability among statements. In any case, we do not believe core deposits should be carried at a different amount than that which can be demanded on any given day.

We do not believe the FASB needs strive to adhere to a policy of mirrored treatments in the accounting for financial assets and liabilities that attempt to create an artificial symmetry in the accounting. Seldom are financial liabilities transferred, but, rather they are settled with the counterparty. The distortion of increasing equity through the revaluation of one's own debt exemplifies the lack of relevance created by this striving for symmetry. We believe amortized cost should be the standard measurement for financial liabilities with the exception of those being matched.

We do not believe modifying the calculation and recognition of interest income to the method in the proposed ASU provides users with an increase in relevance or reliability of the information. It creates undue volatility and would not provide information about the amount of contractual interest due. Additionally, we do not believe the proposed ASU has adequately weighed the operational difficulties, bank core system modifications and other costs relative to the benefits, or lack thereof, in this proposed method. We recommend maintaining the calculation and recognition of interest income in practice today.

Sincerely,

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SVP/CFO
Wood & Huston Bank