



PENNSYLVANIA ASSOCIATION OF COMMUNITY BANKERS

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CHAIRMAN'S
CORRESPONDENCE UNIT

THE VOICE FOR COMMUNITY BANKING IN PENNSYLVANIA SINCE 1876

October 16, 2008

The Honorable Christopher Cox
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Cox:

Now that the Emergency Economic Stabilization Act of 2008 has become law, the Pennsylvania Association of Community Bankers strongly urges the SEC to immediately suspend the use of fair market value accounting including the implementation of the measurement standards included in Statement Number 157 of the Financial Accounting Standards Board (FASB) as Congress and the President have encouraged. It is our belief that the loss of bank capital that has occurred as a direct result of the pronouncements contained in the existing fair value accounting rules is a material factor contributing to the cause of the current financial crisis. The large sudden loss of capital originating from an emotional and panic stricken market valuation versus a traditional methodical collateral-cash flow oriented impairment analysis has contributed to market volatility and thereby continues to feed the market panic. We believe that a temporary moratorium should be set as of September 30, 2008 and ending December 31, 2010 in order to provide adequate time to analyze the market volatility caused by the implementation of these rules.

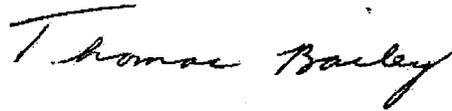
Although the SEC and the FASB have provided or plan to provide further guidance on the implementation of SFAS 157 and related fair value requirements, we do not believe it is enough and urge a halt to fair value accounting. The benefits of the assistance provisions of the legislation will not be fully realized unless and until fair market value accounting is fully examined and the issues surrounding its implementation resolved. We urge the SEC to recognize the pricing challenges of the current environment and the good faith efforts of institutions to provide accurate valuations given the difficulties in the market and when trying to determine whether or not impairments are "other-than-temporary."

We strongly believe that the SEC should immediately provide relief from the onerous and unworkable requirements of fair value accounting and SFAS 157. We are pleased to see that the SEC has started the study on mark-to-market accounting

standards required by the Act. This should be a thorough and objective study of mark-to-market accounting that determines the effect it has had on the balance sheets of financial institutions and the role it has played in our current financial system crisis. The study must be broad in scope and include bankers (who both use and prepare financial statements) in the determination process.

Please contact Frank A. Pinto or Dave Transue of our staff if you have any questions about our position.

Sincerely,

A handwritten signature in cursive script that reads "Thomas Bailey". The signature is written in black ink and is positioned to the right of the typed name.

Thomas Bailey
Chairman

cc: Robert H. Herz, Chairman, FASB