Office of the Comptroller of the Currency
Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
National Credit Union Administration
Office of Thrift Supervision

March 27, 2009

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
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FSPFAS115A

LETTER OF COMMENT NO. 109

Re: File Reference: Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b

Dear Mr. Golden:

We are pleased to submit comments on behalf of the staffs of the five federal financial institution regulatory agencies on the proposed FASB Staff Position (FSP), *Recognition and Presentation of Other-Than-Temporary Impairments*. We appreciate the FASB's efforts to address the accounting and reporting model for other-than-temporary impairments. We strongly support this proposed FSP as an initial response to one of the asset impairment issues identified in the U.S. Securities and Exchange Commission's (SEC) *Report and Recommendations Pursuant to Section 133 of the Emergency Economic Stabilization Act of 2008: Study on Mark-To-Market Accounting*. We believe that this proposal, supplemented by more robust disclosure requirements, better achieves two primary accounting characteristics (i.e., relevance and consistency) while providing decision-useful financial information to investors and other users of financial statements.

Further, we strongly encourage the FASB to accelerate its project on recoveries of other-than-temporary impairments, including potentially allowing an entity to recover, through earnings, a previously recognized other-than-temporary impairment loss on certain securities when evidence exists that an impairment loss has reversed. Allowing recognition of such recoveries would better align U.S. generally accepted accounting principles with International Financial Reporting Standards.

We view the proposed accounting and reporting changes as timely and encourage the FASB to promptly issue final guidance that will be effective for first quarter 2009 reporting. Nevertheless, we offer several specific comments on the proposed FSP for your consideration.

Paragraph 12 of the proposed FSP discusses a change in recognition thresholds for assertions on securities and would be applicable to both debt and equity securities. However, we concur with the Alternative View that application of the proposed FSP to equity securities does not seem operational. Equity securities generally do not have contractual cash flows, which may make an other-than-temporary impairment determination based on the criteria specified in paragraph 12 very challenging for equity securities. In this regard, we also are concerned that the proposal may lead some entities to improperly delay recognition of or otherwise ignore other-than-temporary impairments on equity securities.

However, if it is the Board's intent to apply paragraphs 12 and 13 to perpetual preferred securities with significant "debt-like" characteristics in response to a recent SEC letter to the FASB,[1] we believe that other-than-temporary determinations using the criteria in these paragraphs could be made for these "debt-like" equity securities. Accordingly, we suggest the final FSP explicitly state the applicability of paragraphs 12 and 13 to these types of perpetual preferred securities. Additionally, the final FSP should more clearly emphasize the continued applicability of existing factors that must be considered when determining whether a debt or equity security is other-than-temporarily impaired (e.g., the severity and duration of the impairment and the financial condition and near-term prospects of the issuer).

The subsequent measurement language in paragraphs 14 and 15 should be clarified to ensure that these measurement provisions will be properly applied. These paragraphs also should explain whether they amend or maintain the current guidance in Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities,* FASB Staff Position FAS 115-1 and FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* (FSP FAS 115-1), Emerging Issues Task Force Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to be Held in Securitized Financial Assets*, and FASB Staff Position EITF 99-20-1, *Amendments to the Impairment Guidance of EITF Issue No. 99-20.*

Paragraph 16 provides specific requirements for the presentation of other-than-temporary impairment losses in the statement of earnings. However, the proposed FSP does not provide any guidance on accumulated other comprehensive income presentation. We recommend the final FSP require separate presentation or disclosure of noncredit-related other-than-temporary impairment losses included in accumulated other comprehensive income that relate to recognized impairment on debt securities not expected to be sold. This will provide greater transparency to financial statement users as it relates to other-than-temporary impairment losses.

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[1] http://www.sec.gov/info/accountants/staffletters/fasb101408.pdf

The appendix of the proposed FSP amends certain existing pronouncements, including paragraph 15 of FSP FAS 115-1. To prevent confusion, we recommend replacing the words "an increase in the credit risk" with "credit deterioration" in the following sentence in paragraph 15(b) of the amended FSP: "In determining the amount of the total impairment related to credit losses the reporting entity shall use its best estimate of the amount of the impairment that relates to an increase in the credit risk associated with the specific instrument."

The agencies appreciate your consideration of our comments. We are continuing to evaluate the proposed FSP and may have additional comments or requests for clarification. We would be pleased to discuss our views with you further.

Sincerely,

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