

January 15, 2009

Russell G. Golden, CPA Technical Director FASR 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116



LETTER OF COMMENT NO.

Re: December 24, 2008 Proposed FASB Staff Position (FSP) FAS 107-a, Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107

Dear Mr. Golden:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to act as an advocate for all local and regional firms and represent those firms' interests on professional issues, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC has reviewed the Proposed FSP and is providing the following comments for your consideration.

GENERAL COMMENTS

TIC does not support the issuance of this Proposed FSP for nonpublic entities. Today, an ever increasing number of nonpublic companies are required to provide Statement 107 disclosures since many nonpublic companies hold derivatives (primarily interest rate swap agreements) during the reporting period. The required disclosures will be burdensome to nonpublic entities without commensurate user benefit. In addition, TIC is especially concerned about the negative perception created when non-GAAP measures are presented in comparative form with GAAP measures in the context of pro forma information.

Based on the above issues, TIC recommends that nonpublic entities be exempt from this standard, rather than rely upon the current scope exception embedded in Statement 107. If the Board decides otherwise, the retroactive effective date will not be operational for many calendar-year nonpublic entities. In particular, nonpublic financial institutions (for which presumably this FSP is intended) will have a particularly difficult time implementing this





standard within the time frame. Nonpublic entities need the benefit of normal due process procedures for a change of this kind and would need a one-year deferral.

TIC's specific responses to the questions for respondents are provided below.

SPECIFIC COMMENTS

1. Do you believe that requiring disclosure of different reporting measurement attributes (that is, as reported in the statement of financial position, at fair value, and at the incurred loss amount) for certain financial assets within the scope of this proposed FSP would (a) improve the quality of information provided to users of financial statements and (b) increase the comparability of financial statements under U.S. generally accepted accounting principles (GAAP) and IFRS? Why or why not?

TIC does not believe the proposed disclosures provide additional useful information for the users of nonpublic entity financial statements. In particular, the Proposed FSP will scope in not-for-profit organizations and health care entities without any commensurate benefit for the users of those financial statements. Moreover, for many users of nonpublic financial institutions, the disclosures, particularly the pro-forma disclosures, may prove confusing as to which is the "real" income from operations. For most nonpublic entities, the issue of comparability to IFRS statements is not currently relevant.

2. Do you agree that the proposed disclosures should not include financial assets measured at fair value in the statement of financial position with changes in fair value recognized through earnings? If not, would you propose including such financial assets within the scope of this proposed FSP? Should financial assets measured at the lower of cost or fair value (such as mortgage loans) be included within the scope of this proposed FSP? Why or why not?

Yes, TIC agrees that the tabular disclosure presented by entities subject to this Proposed FSP should exclude financial assets measured at fair value whose changes in fair value are recognized through the income statement. TIC's view is based on the assumption that the apparent purpose of the proposal is to provide a bridge between financial assets whose fair value changes do not flow through the income statement and those that do. To be consistent in principle, it appears that mortgage loans carried at lower of cost or fair value should be included, so as to have the complete picture of changes in all of these types of assets.

3. Do you believe that requiring disclosures of the pro forma income from continuing operations (before taxes) for financial assets within the scope of this proposed FSP as if





those financial assets were carried (a) at fair value with changes in fair value recognized through earnings and (b) at the incurred loss amount with changes recognized through earnings would improve financial reporting? Why or why not? Should the disclosure requirements described in the preceding sentence also be required for net income and shareholders' equity? Why or why not?

We do not believe that providing pro forma disclosures improves financial reporting. This approach seems to diminish the value of the income statement as presented in accordance with current GAAP and, in fact, brings the concept of non-GAAP measures into the accounting standards by presenting three possible net incomes. Permitting mixed attribute disclosure as pro forma information in this context may set an unwanted precedent.

4. Would including separate reconciliations of reported income from continuing operations (before taxes) to the proposed pro forma adjusted income from continuing operations (before taxes) under both a fair value basis and an incurred loss basis for financial assets within the scope of this proposed FSP be useful? Why or why not?

We do not believe requiring reconciliations of these non-GAAP measures will improve the reporting or minimize the negative impact of such pro forma disclosures. In TIC's view, pro forma disclosure adds an undesired credibility to non-GAAP measures.

5. Do you believe that the provisions of this proposed FSP should be effective for interim and annual reporting periods ending after December 15, 2008? Why or why not? Do you believe that the disclosures in this proposed FSP should be provided on a comparative basis for subsequent periods after initial application of the proposed FSP? Why or why not?

No, the effective dates for nonpublic entities are entirely too aggressive, especially given the short exposure period for this proposed FSP. This FSP will not be issued in final form until the second half of January, at the earliest. Most community banks issue their financial statements before the end of January and could not be expected to adopt the new disclosures on such short notice. As discussed above, TIC strongly believes that nonpublic entities should be exempt from this standard. If they are not excluded from its scope, the effective date for nonpublic entities should be extended for one year after the applicable dates for public entities.

6. Are all of the disclosures in this proposed FSP operational based on the proposed effective date? Why or why not? Please be specific in your response.

We do not believe the disclosures would be easily operationalized by nonpublic entities





when added to the burdens of implementing Statement 157, Fair Value Measurements, for the first time. Applying Statement 157 measurements to the tabular disclosure for many assets will be difficult.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

Stephen Bodine, Chair

Stephen Bodine

PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committee

