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LETTER OF COMMENT NO. 49

January 15, 2009

Technical Director
Financial Accounting Standards Board
301 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference: Proposed FSP FAS 107-a (*Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107*)

Dear Technical Director:

The American Bankers Association[1] (ABA) appreciates the opportunity to comment on the proposal from the Financial Accounting Standards Board (FASB), Proposed FSP FAS 107-a (*Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107*). We encourage the FASB to delay further consideration of the proposed FSP until it has progressed with its comprehensive project to address the measurement issues resulting from inconsistency of impairment models across financial instruments and practice challenges in applying some impairment models in periods when markets are not active. Though we support the FASB's continued efforts to address inconsistencies in impairment measurement models, we have significant concerns about the value and practicality of the proposed FSP's requirements. In particular, we believe:

- The scope of instruments subject to the proposed FSP is too broad and should be limited to investment securities with recorded impairment.
- Fair value as a measurement model continues to be broadly debated, particularly in the current environment. The proposed FSP's pro forma earnings disclosures are not necessary to increase transparency regarding the problems related to impairment measurement models.
- Implementing the proposed FSP for calendar year 2008 reporting will be extremely difficult and costly for many organizations.

[1] The American Bankers Association brings together banks of all sizes and charters into one association. ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members – the majority of which are banks with less than $125 million in assets – represent over 95 percent of the industry's $13.6 trillion in assets and employ over 2 million men and women.

We believe this proposal simply cannot be done by most banking institutions for year-end 2008 reporting, and we believe pro forma fair value earnings disclosures will be confusing to many users of financial statements in the current environment. More useful projects that would improve financial reporting for the benefit of investors – particularly in this dysfunctional market – would be to improve the accounting for other than temporary impairment and the definition of fair value.

The proposal represents a dramatic change from existing disclosure requirements and has not been sufficiently vetted. Our primary concern about the proposal is the limited time to implement the new requirements and the lack of thorough due process given the timing and turnaround of the proposal. This is unlike the recent proposal on EITF 99-20 (now final FSP EITF 99-20-1), which also had an extremely short comment period, for which there was a significant amount of discussion – within the industry and among the industry, FASB, SEC, banking regulators, and others – about the solutions needed *prior to the release of the proposal.* To our knowledge, there have been no meetings with banking institutions to discuss whether these disclosures can be done, the time it would take to implement them, nor an analysis of the costs versus the benefits. The timing of the proposal and its comment period coincides with the busiest time of year for those responsible for evaluating the proposal, examining their processes to determine whether the disclosures *can* be provided, developing the appropriate procedures and controls, and preparing the disclosures. Frankly, the awareness of the existence of the proposal itself within our industry is relatively limited, as our members are currently focusing on the challenges of year-end closing and reporting activities, limiting our members' ability to thoroughly analyze the proposal and properly implement it. It is very important to recognize that many areas within banks – financial reporting, systems specialists (for larger banks) or external consultants (for smaller banks), legal counsel, etc. – should discuss the proposal prior to determining whether it could be finalized.

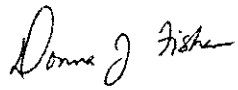
We also have significant concerns about the ability to produce the volume of information during the fairly short period of time between period-end and the due dates required for both quarterly and annual financial statements. Providing a table with fair values and incurred losses emphasizes the importance of fair value information, which we believe the current dysfunctional market has proven unreliable. Additionally, we oppose providing fair value pro forma information, which appears to us to be a dangerous direction, particularly considering the experiences that banking institutions and their auditors have had in this dysfunctional market and the lack of reliability resulting from the current definition of fair value. Providing such pro forma information implies a level of reliability that simply does not exist.

We recommend the proposal be delayed and the FASB provide sufficient time to meet with banking institutions to determine whether the proposal can be implemented and, if so, what the costs will be. We are concerned about this for all sizes of banking institutions, and have additional concerns that the FASB's accounting model has begun to move in a direction that requires community bankers to outsource much of the preparation of their own financial statements. In lieu of

this project, we believe it is imperative that the FASB address the remaining issues relating to other than temporary impairment and the definition of fair value.

Please feel free to contact me to further discuss these issues. Thank you for considering our views.

Sincerely,



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