



March 23, 2011

Ms. Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2011-150

Dear Ms. Cospers,

The Conference of State Bank Supervisors (CSBS) and the American Council of State Savings Supervisors (ACSSS) appreciate the opportunity to comment on the Financial Accounting Standards Board's (FASB's) and the International Accounting Standards Board's (IASB's) (together, the Boards') joint supplementary document (proposal) on Impairment. In a comment letter to the FASB in September 2010, CSBS urged the FASB to separate its Impairment proposal, which was then linked with the fair value aspects of its comprehensive financial instruments proposal, and re-expose a proposal jointly with the IASB on Impairment. We therefore applaud the Boards for working together on this matter and re-issuing a joint proposal. CSBS and ACSSS generally agree with the proposal and believe it to be a reasonable compromise, though we have made suggestions to simplify the accounting and enhance comparability.

The proposal suggests a revised approach for recognizing impairment related to financial assets in open portfolios. Specifically, the Boards' proposal would result in earlier recognition of credit losses. The timing of recognition would vary according to the differentiation of financial assets into two groups: "good book" assets and "bad book" assets. For the former group, expected credit losses would be recognized on a portfolio basis and would amount to the higher of a time-proportional amount and a proposed minimum allowance amount (floor). For the latter group, the entire amount of expected credit losses would be recognized in the impairment allowance. We agree that the proposed approach should result in earlier recognition of expected credit losses, which should be helpful in addressing this highly judgmental area. The proposed approach should provide information useful for decision-making. We have several suggested revisions which should enhance the proposed approach's usefulness, since comparability between institutions is an important aspect of user needs, especially for regulators who identify outliers against their peer groups. Our suggested revisions should allow significant judgment to be used by preparers, external auditors, and regulators, while establishing a more consistent framework in which to make such judgments.

CONFERENCE OF STATE BANK SUPERVISORS

1155 Connecticut Ave., NW, 5th Floor • Washington DC 20036-4306 • (202) 296-2840 • www.csbs.org

While we generally agree with the “good book”/ “bad book” approach outlined in the proposal, we believe some modifications should be made regarding the differentiation of the two groups. The Boards’ suggested approach leaves the differentiation to each institution’s credit risk management. In our estimation, this may lead to considerable divergences in application. The variation in credit risk management approaches and abilities among different institutions has become evident in recent years. We believe it is possible, given the current language of the proposal, that overly-optimistic (and possibly troubled) institutions may be inclined to include few or no financial assets in the “bad book.” Thus, we urge the Boards to include a more objective benchmark for differentiating between the two books. We recommend that inclusion in the “bad book” be required for nonperforming financial assets, with this term being clearly defined. More objective benchmarks for differentiating between the “good book” and “bad book” should make the impairment allowance more operational and auditable. CSBS and ACSSS concur with the Boards’ inclination to apply separate measurement requirements for financial assets with different characteristics. We believe it is inappropriate to apply the measurement requirement for the “bad book” to all relevant financial assets, as this would likely lead to an overstatement of losses in earlier periods, thereby creating an earnings mismatch.

As noted above, the proposal suggests a floor be established below which the time-proportional impairment allowance associated with “good book” assets cannot drop. We agree with the establishment of a floor for the “good book.” While the absence of a minimum allowance amount is more conceptually appealing, a floor requirement provides a practical and sensible approach to mitigate the unavoidable uncertainties in determining an appropriate allowance. The “floor” is proposed to be the amount of credit losses expected to occur within the foreseeable future (required to be no less than twelve months after an entity’s reporting date). We recommend the floor be defined as credit losses expected to occur within the next twelve months. This provides a consistent approach to enhance comparability and avoids questionable attempts to define “foreseeable future” when experience indicates that the future is rarely foreseeable. If a final standard permits a period longer than twelve months, a time limit should be established to improve comparability and recognize that future speculation becomes less reliable as time progresses.

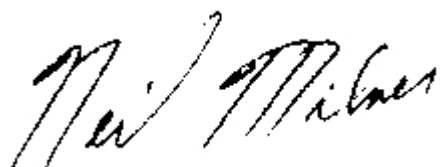
CSBS and ACSSS would also like to promote a notion of consistency and comparability related to two matters. First, it is very important to have a consistent impairment approach for all relevant financial assets. We believe the proposed impairment model with our suggested revisions should be at least as operational for other financial assets, since single assets and closed portfolios are simpler categories than open portfolios. Second, we disagree with the flexibility allowed in using either a discounted or an undiscounted estimate when applying the proposed approach. In order to enhance comparability, we suggest the Boards choose a single approach. While a discounted approach is more conceptually supportable, we recommend using an undiscounted approach for simplicity and applicability to institutions of all sizes. Following the same logic, we suggest only allowing use of the straight-line approach.

In order to establish a common standard on the key issue of impairment, the Boards have reached a reasonable compromise while ensuring that aspects of their primary objectives have been met. Since the Boards have met this benchmark, they should avoid undercutting the proposed approach by revisiting their earlier conclusions, which may well lead to diverging standards. We

also believe a final common standard should continue to “decouple” interest income and credit impairment, since we believe the separation of these two areas provides better information.

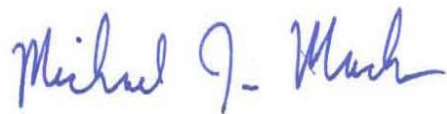
Thank you for the opportunity to comment.

Neil Milner

A handwritten signature in black ink that reads "Neil Milner". The signature is written in a cursive, flowing style.

President and CEO, CSBS

Mike Mach

A handwritten signature in blue ink that reads "Michael J. Mach". The signature is written in a cursive, flowing style.

President, ACSSS