

Via email: Director@fasb.org

September 20, 2012

Technical Director Financial Accounting Standards Board 401 Merritt 7 Norwalk, CT 06856

Subject: File Reference No. 2012-200

The focus of our comments related to FASB's Proposed Accounting Standards Update on Disclosures about Liquidity and Interest Rate Risk (Exposure Document) is focused on both Liquidity and Interest Rate Risks.

The goal of increasing transparency as to liquidity and interest rate risks of financial institutions would not be met given the reporting requirements envisioned in the Exposure Draft. In short, the disclosures look to describe these risks by laying out a handful of characteristics in tabular form. This presumes a simplistic relationship between the general level of interest rates and the changes in value of financial assets and liabilities and the liquidity provided by these instruments. Further, simply looking at +/-2.00% rate shocks and/or a +/- 1.00% yield curve twists does not cover the broad range of potentially adverse interest rate changes.

There are a multitude of factors affecting the liquidity and interest rate risk characteristics of most of the financial instruments on the balance sheets of financial institutions. These factors include but are not limited to spreads versus a given benchmark, the shape of the yield curve, the volatility of interest rates, and the non-linear nature of the change in value of embedded options (basis risk). In short, a table in the footnotes will not be able to illustrate the potential liquidity and interest rate risks of a financial institution.

Adding to the shortcomings is that requiring the reporting of "expected" changes allows for the issuer of financial statements to select behavioral assumptions without disclosing assumption methodology. This is the same issue as is experienced with Level 3 Fair Value reporting.

The evidence of the lack of simplicity and the difficulty of transparently disclosing these risks via tabular footnotes was made clear during the 2008 financial crisis. During this event, treasury yields plummeted but the risks realized in 2008 and 2009 would not have been apparent from a tabular footnote. For example, credit risk spreads widened considerably meaning that changes in values and liquidity of particular assets would not have tracked changes in the general level of treasury rates. The behavior of market participants in regards to liquidity changed dramatically as their views of the risks of certain transactions changed. In short, the tabular information would not have been decision-useful.

A tabular footnote would have likely left users of financial statements with a very inaccurate picture of the actual risks realized by institutions given changes in rates during 2008 and 2009. So much so that one could conclude that they would have likely resulted in a false sense of security potentially making the financial crisis worse. In short, the factors that affect liquidity and interest rate risk are multi-dimensional and complex and do not lend themselves to tabular descriptions.

The risk of oversimplified information is that those who rely on it may actually be given an inaccurate view of the risks on a financial institution's balance sheet. It would not benefit preparers, auditors or users to have disclosures that are not reflective of risk, and that may in fact misstate risks. We would encourage the FASB to reconsider the issuance of such an accounting standard.

Sincerely,

Brad Miller

Senior Vice President and Chief Financial Officer

Coastal Federal Credit Union