

September 25, 2012

Susan M. Cosper Technical Director File Reference No. 2012-200 Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk CT 06856-5116

Dear Ms. Cosper:

The Bank of New York Mellon, Inc. (the "Company"), a global financial institution with over \$300 billion in assets, is pleased to provide comments on the Financial Accounting Standards Board's ("FASB") Exposure Draft ("ED") of a proposed Accounting Standards Update of Topic 825 on Disclosures about Liquidity Risk and Interest Rate Risk.

We are a member of The Clearing House Association LLC, an association of commercial banks and are a party to their comment letter to you on the ED. We endorse the views in that comment letter and will not repeat most of the specific questions and issues regarding the implementation guidance that were raised in that letter. Instead, we will focus on what we believe are the fundamental conceptual shortcomings with the ED. Responses to the individual questions presented in the ED are in Exhibit 1.

While the Company is supportive of the FASB's efforts to provide decision-useful information about how interest rate and liquidity risk is managed, we do not believe the ED achieves this objective.

The proposal does not reflect how banks actually manage their liquidity and interest rate risk

The tabular disclosures proposed by the ED, with the exception of a modified form of the Interest Rate Sensitivity Analysis, are inconsistent with how Banks actually manage these risks. For example, financial institutions have generally abandoned Interest Rate Gap tables to manage interest rate risk as they fail to include the effects of optionality (e.g., prepayments in a declining rate environment) inherent in today's sophisticated and complex financial instruments and provide an unrealistic snapshot of an entity's risk position. There are other alternatives which are more relevant, which are discussed below. Another example of how the proposed disclosures are not meaningful is that the Deposits Issued fails to account for the projected rollover of short term and/or overnight deposits. Estimates of deposit rollover are a critical part of both interest rate and liquidity risk management.

The FASB should coordinate its disclosure project with those of other supervisory and regulatory bodies

Furthermore, there are proposed and final disclosure requirements from the various banking supervisors and regulators (e.g., Basel III, Financial Stability Board) that will be used to measure and regulate liquidity and interest rate risk. One of Basel's objectives, for example, is to strengthen risk management and governance as well as to provide additional transparency and disclosure. We believe the FASB is best suited by working with these bodies to harmonize financial statement disclosures with regulatory ones. Different sets of disclosures in different places, all purporting to achieve the same objective would

provide an undue burden on financial statement preparers and provide a "hodgepodge" of data – as distinguished from *information* - some of which not relevant nor useful.

Alternatives to consider

Liquidity Risk: The Company believes in addition to disclosures of information which is actually used by an enterprise to manage its risk, investors are best suited by financial statement disclosures which, where possible are consistent with - or will be consistent with - disclosures used by regulatory bodies to manage financial institutions. Accordingly, the Company proposes that the FASB redevelop the disclosure model to be more consistent with those required by other regulators and how financial institutions actually manage their risk. This will help ensure that only relevant, investor useful information is generated. Basel III is proposing expanded liquidity risk disclosure and various ratios. Basel III's objective is to strengthen, among other things, risk management of financial institutions in response to the late-2000s financial crisis.

Two ratios proposed by Basel III are the Liquidity Coverage Ratio (to be phased in beginning 2015), which measures liquidity in a stress scenario over a 30 day period, and the Net Stable Funding Ratio (to be phased in beginning 2018), which measures funding over periods greater than one year. Although the proposals are still in draft and not final, the FASB should consider adopting these measures and related assumptions in its disclosure framework as they are finalized. The disclosures are fairly intricate and are the result of years of study and due process. They are investor focused and the FASB should recognize the effort that went into them. The effective dates of Basel disclosures are determined based on the need for financial institutions to develop the necessary procedures and systems enhancements to capture the necessary data. Therefore, we urge the FASB not to consider an effective date for new disclosures any earlier that that required by Basel Committee.

Interest Rate Risk: The Company and all other major financial institutions use and disclose in the MD&A other methods to manage interest rate risk. Two common ones are Interest Rate Sensitivity and Economic Value of Equity. The proposed Interest Rate Sensitivity does not allow for the impact of yield curve movement on asset mix (e.g., prepayment patterns). The Company employs an earnings simulation model to assess changes in net interest revenue. The model incorporates expectations regarding interest rates, balance changes, market spreads, changes in prepayment behavior of loans and investments securities, and the impact of interest rate risk management derivative instruments. This type of model provides a more meaningful and realistic portrayal of interest rate risk than the model proposed in the ED. This type of model, combined with an expanded number of interest rate scenarios, provides meaningful information to investors.

Another disclosure the Company would support - which we already disclose in the Management's Discussion and Analysis – is an Economic Value of Equity ("EVE") sensitivity. EVE is the aggregation of projected discounted cash flows from assets and liabilities and reflects the structural balance sheet interest rate sensitivity. EVE provides a *long term* analysis of interest rate risk and includes optionality as well as other risks, e.g., spread risk. The cash flows are discounted using changes to prevailing interest rates. The changes in EVE in response to changes in interest rate scenarios are disclosed in a tabular format. This measure is prepared, disclosed, and used by many financial institutions. We believe it is a meaningful and relevant measure - a tool that financial institutions actually use - in evaluating a financial institution's economic sensitivity to changes in interest rates.

Forward looking measures do not belong in the audited financial statements

Regardless of whether the FASB accepts our recommendations or plans to proceed with its own disclosure model, the Company believes that MD&A, as opposed to footnote disclosure, is the appropriate place for them. The disclosures are forward looking by definition – in simple language, what is the impact of "this".....what is the impact of "that" – based on assumptions and judgments. Unlike "traditional" footnote disclosures which explain or document how a financial statement effect – an accounting event, if you will – was recognized and measured, these disclosures provide a glimpse into how the financial statements may change. Similar to other forward looking statements in the MD&A, the Company believes these disclosures should be afforded the safe harbor provisions to which footnote disclosures are not entitled.

And lastly, again under any model that is eventually adopted, lead time to provide systems modifications to gather and complete the necessary is crucial. The Company believes an effective date of at least two full years after the issuance of a final standard is required.

Thank you for the opportunity to comment on the draft and for considering our comments. If you have any questions or require further information, please contact me at 212 635 7080 or Tony Esposito at 212 635 7085.

Sincerely,

John A. Park Controller

Exhibit 1

Questions for Preparers and Auditors -Liquidity Risk

Question 1: For a financial institution, the proposed amendments would require a liquidity gap table that includes the expected maturities of an entity's financial assets and financial liabilities. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Answer 1: Yes. This will require a systems implementation effort to gather the requisite data from each financial instruments product systems to be an auditable financial statement measurement. We estimate a 2 year effort.

Question 2: For an entity that is not a financial institution, the proposed amendments would require a cash flow obligations table that includes the expected maturities of an entity's obligations. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Answer 2:

Not Applicable

Question 3: The proposed amendments would require information about expected maturities for financial assets and financial liabilities to highlight liquidity risk. *Expected maturity* is the expected settlement of the instrument resulting for contractual terms (for example, call dates, put dates, maturity dates, and prepayment expectations) rather than an entity's expected timing of the sale or transfer of the instrument. Do you agree that the term *expected maturity* is more meaningful than the term *contractual maturity* in the context of the proposed liquidity risk disclosures? If not, please explain the reasons and suggest an alternative approach.

Answer 3:

As stated in the Response, we do not believe the table is meaningful. However in the context of the proposed table, Expected Maturity is more relevant than Contractual Maturity.

Question 4: The proposed amendments would require a quantitative disclosure of an entity's available liquid funds, as discussed in paragraphs 825-10-50-23S through 50-23V. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Answer 4:

We see no significant concerns, assuming a sufficient lead in (at least one year) for implementation.

Question 5: For depository institutions, the proposed Update would require a time deposit table that includes the issuances and acquisitions of brokered deposits during the previous four fiscal quarters. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Answer 5:

Additional guidance is required to take automatic rollovers/renewals into account.

Question 6: As a preparer, do you feel that the proposed amendments would provide sufficient information for users of your financial statements to develop an understanding of your entity's exposure to liquidity risk? If not, what other information would better achieve this objective?

Answer 6:

Addressed in Response

Questions for Users - Liquidity Risk

Question 7: Does the liquidity gap table described in paragraphs 825-10-50-23E through 50-23K provide decision- useful information about the liquidity risk of a financial institutional? If yes, how would you use that information in analyzing a financial institution? If not, what information would be more useful?

Answer 7:

Question 8: Does the cash flow obligations table described in paragraphs 825-10-50-23M through 50-23R provide decision-useful information about the liquidity risk of an entity that is not a financial institution? If yes, how would the information provided be used in your analysis of an entity that is not a financial institution? If not, what information would be more useful?

Answer 8:

Question 9: Paragraphs 825-10-50-23S through 50-23V would require an entity to disclose its available liquid funds. Would this table provide decision-useful information in your analysis? If not, what information would be more useful?

Answer 9:

Question 10: Are the proposed time intervals in the tables appropriate to provide decision-useful information about an entity's liquidity risk? If not, what time intervals would you suggest? Do you believe that there are any reasons that these required time intervals should be different for financial institutions and entities that are not financial institutions?

Answer 10:

Question 11: With respect to the time intervals, should further disaggregation beyond what is proposed in this Update be required to provide more decision-useful information to the extent that significant amounts are concentrated within a specific period (for example, if a significant amount of liabilities are due in Year 10 of the "past 5 years" time interval)? Please explain.

Answer 11:

Question 12: For depository institutions, the proposed Update would include a time deposit table that includes the issuances and acquisitions of brokered deposits during the previous four fiscal quarters. Would this table provide decision-useful information in your analysis of depository institutions? If not, what information would be more useful?

Answer 12:

Questions for Preparers and Auditors – Interest Rate Risk

Question 13: The interest rate risk disclosures in this proposed Update would require a repricing gap table. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Answer 13: As stated in the Response, we do not believe the repricing gap table is a useful tool. Nonetheless if the FASB decides to proceed, we believe the time buckets beyond two years should be presented in the aggregate as "beyond two years." After two years, the actual gap will likely be different than originally forecasted due to factors such as prepayments and floating rate composition of items.

Question 14: The interest rate risk disclosures in this proposed Update would include a sensitivity analysis of net income and shareholders' equity. Do you foresee any significant operational concerns or constraints in determining the effect of changes in interest rates on net income and shareholder's equity? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Answer 14:

Addressed in Response

Question 15: As a preparer, do you feel that the proposed amendments would provide sufficient information for users of your financial statements to understand your entity's exposure to interest rate risk? If not, what other information would better achieve this objective?

Answer 15:

Addressed in Response

Questions for Users – Interest Rate Risk

Question 16: Would the repricing gap analysis in paragraphs 825-10-50-23Y through 50-23AC provide decision-useful information in your analysis of financial institutions? If yes, how would this disclosure be helpful in your analysis? If not, what information would be more useful?

Answer 16:

Question 17: Are the proposed time intervals in the repricing gap table in paragraphs 825-10-50-23AB through 50-23AC appropriate to provide decision-useful information about the interest rate risk to which a financial institution is exposed? If not, which time intervals would you suggest?

Answer 17:

Question 18: The interest rate risk disclosures in this proposed Update would include a sensitivity analysis portraying the effects that specified changes in interest rates would have on net income and shareholders' equity. Currently, many banks and insurance companies provide a sensitivity analysis of the economic value of equity instead of shareholders' equity. A sensitivity analysis of economic value would include the changes in economic value of financial instruments measured at amortized cost, such as loans and deposits. A sensitivity analysis of shareholders' equity would only include those changes that affect shareholders' equity. Therefore, the changes in the economic value of financial instruments measured at amortized cost would not be reflected in the sensitivity analysis although changes in interest income would be reflected. Do you think that a sensitivity analysis of shareholders' equity would provide more decision-useful information than would a sensitivity analysis of economic value? Please discuss the reasons why or why not.

Answer 18:

Question 19: Do you think that it is appropriate that an entity that is not a financial institution would not be required to provide disclosures about interest rate risk? If not, why not and how would the information provided be used in your analysis of an entity that is not a financial institution?

Answer 19:

Questions for All Respondents

Question 20: The amendments in this proposed Update would apply to all entities. Are there any entities, such as nonpublic entities, that should not be within the scope of this proposed Update? If yes, please identify the entities and explain why.

Answer 20:

Not Applicable

Question 21: Although the proposed amendments do not have an effective date, the Board intends to address the needs of users of financial statements for more information about liquidity risk and interest rate risk. Therefore, the Board will strive to make these proposed amendments effective on a timely basis. How much time do you think stakeholders would require to prepare for and implement the amendments in this proposed Update? Should nonpublic entities be provided with a delayed effective date? If so, how long of a delay should be permitted and why? Are there specific amendments that would require more time to implement than others? If so, please identify which ones and explain why.

Answer 21:

As stated in the Response, we believe at least two full years from the issuance date is necessary to develop procedures and systems modifications to gather and compile the data required.

Question 22: Do you believe that any of the amendments in this proposed Update provide information that overlaps with the SEC's current disclosure requirements for public companies without providing incremental information? If yes, please identify which proposed amendments you believe overlap and discuss whether you believe that the costs in implementing the potentially overlapping amendments outweigh their benefits? Please explain why.

Answer 22: Regulation S-K Item 303 and 305 require disclosures about liquidity and interest rate (among other market risks), respectively. The SEC enforces and opines on the adequacy of these disclosures through the comment letter process. The additive disclosures in the ED do not provide additional value or useful information. Meaningful disclosures in this area require forward looking information and, accordingly, are more appropriate to be retained in the MD&A.