

September 25, 2012

Email: Director@fasb.org

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

RE: OCUL Comments on FASB Proposed Disclosures about Liquidity Risk and Interest Rate Risk of Financial Instruments
File Reference No. 2012-200

Dear Sir or Madam:

The Ohio Credit Union League (OCUL) appreciates the opportunity to comment on the Financial Accounting Standards Board's (FASB) proposed accounting standards updates, with the goal of providing users of financial statements with more decision-useful information about entity-level exposures to liquidity risk and interest rate risk.

OCUL is the trade association for credit unions in Ohio and advocates on behalf of Ohio's 374 federal- and state-chartered credit unions, serving 2.7 million members. The comments reflected in this letter represent the recommendations and suggestions that OCUL believes would be in the best interests of Ohio credit unions.

Background

The FASB issued proposed accounting standards updates that would amend current Financial Instruments (Topic 825) to require certain disclosures about liquidity risk and interest rate risk. The updates would apply to all reporting entities, including credit unions. The liquidity risk disclosures would require financial institutions to disclose on financial statements, in table format, the following:

- The carrying amounts of classes of financial assets and liabilities segregated by their expected maturities, including off-balance-sheet financial commitments and obligations; and
- Available liquid funds, including any unencumbered cash and highly liquid assets and any available borrowings, such as loan commitments, unpledged securities, and lines of credit.

All reporting entities would also be required to disclose, in table format:

- Additional quantitative or narrative disclosures to the extent necessary to ensure users of financial statements can understand an entity's exposure to liquidity risk; and
- Significant changes related to the timing and amounts of financial assets and liabilities, including liquidity risk and available liquid funds from the last reporting period to the current reporting period, as well as the reasons for the changes and actions taken, if any.

Depository institutions, specifically, would be required to disclose the following:

• Information about their time deposit liabilities, including the cost of funding from the issuance of time deposits and acquisition of brokered deposits during the previous four fiscal quarters.





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- The carrying amounts of classes of financial assets and liabilities segregated according to time intervals based on the contractual repricing of the financial instruments;
- An interest rate sensitivity table that shows the effects that shifts of interest rate curves could have on net income and shareholders' equity; and
- Additional quantitative or narrative disclosures of the entity's exposure to interest rate
 risk, including significant changes in the amounts and timing in the quantitative tables,
 and how the reporting entity managed those changes.

OCUL Commentary

OCUL supports FASB's efforts to ensure users of financial statements will have more decision-useful information about entity-level exposures to liquidity risk and interest rate risk. However, we are concerned with the Board's "one-size fits all approach." The financial industry consists of entities of various sizes that have different models and approaches. The benefits and costs part of the proposal states:

"The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Present and potential investors, creditors, donors, and other users of financial information benefit from improvements in financial reporting, while the costs to implement new guidance are borne primarily by present investors."

OCUL believes adding increased financial reporting requirements will not add value to the information already received by credit union members (owners). Members receive detailed financial information in the credit union annual report and financial statements, available at the required credit union annual meeting and upon request at any time. Therefore, members are well informed about their credit union's financial condition. In addition, there is no study that indicates a credit union member has requested additional financial information in the proposed format. As for credit union regulators, they are already fully informed about the entity's risks.

Credit unions should be exempt from complying with these additional disclosure requirements, since they do not seek market participation, donors or potential investors. In addition, credit unions do not issue bonds to creditors. Therefore any protections for investors meant to be included in the proposed additional disclosures would not be necessary due to the capitalization structure of a credit union.

Although this information is available, credit unions will spend significant time and resources to prepare and audit these disclosures. For smaller credit unions, the proposed added disclosures would be exceptionally burdensome, with the cost of complying with these requirements outweighing the benefits. Recently, the National Credit Union Administration (NCUA), the regulator for federally-chartered credit unions, released final rules on Interest Rate Risk Policies, effective September 30. In the final rules, NCUA states that a "one-size-fits-all" approach to interest rate risk is not appropriate.

Currently, the proposed amendments do not have an effective date, and FASB states in their proposal that it will strive to make these proposed amendments effective on a timely basis. OCUL believes that if credit unions will not be exempt from these requirements, they should be permitted an extended due date of at least 18 months. Small credit unions, in particular, are

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already overwhelmed with the amount of regulatory changes in process that divert their limited resources from serving their members.

Interest rate and liquidity risk management is very complex. The proposed amendments appear to want to standardize the measurement and reporting of selected components. The information disclosed as a result of these new requirements will not tell the entire financial condition of an entity. OCUL believes this will result in inaccurate representation of risk, send conflicting information regarding risk, and provide a false sense of completeness. The related risks will be misrepresented to many financial statement readers and therefore defeat the purpose of the proposal.

Conclusion

As stated above, OCUL supports FASB's effort to better inform financial statement readers, however, we remain concerned with the Boards "one-size-fits-all" approach. The proposal appears to be written with large financial institutions in mind, and clearly underestimates the cost burdens that will be required for the vast majority of credit unions and other small institutions.

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The Ohio Credit Union League appreciates the opportunity to provide comments to the FASB on proposed disclosures about liquidity risk and interest rate risk of financial instruments. OCUL is available to provide additional comments or information on this proposal if so requested. If you have any questions, please do not hesitate to contact me at (800) 486-2917 or ikozlowski@ohiocul.org.

Respectfully submitted,

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cc: Mary Dunn, Credit Union National Association General Counsel

Tim Boellner, OCUL Chair

OCUL Board of Directors

Ohio Governmental Affairs Committee

Paul Mercer, OCUL President