

September 30, 2010

Mr. Russell G. Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 Norwalk, CT 06856-5116

> Re: File Reference No. 1790-100 Proposed Accounting Standards Update, Comprehensive Income (Topic 220), Statement of Comprehensive Income

Dear Mr. Golden:

The Clearing House Association L.L.C. ("The Clearing House"), an association of major commercial banks, appreciates the opportunity to comment on the Proposed Accounting Standards Update ("Proposed ASU"), *Comprehensive Income (Topic 220)*, *Statement of Comprehensive Income*.

The Clearing House supports the Financial Accounting Standard Board's (the "Board" or the "FASB") efforts to improve comparability, transparency and consistency in financial statements. However, we believe the Proposed ASU does not accomplish these objectives and accordingly, we believe the FASB should not proceed with the finalization of this Proposed ASU.

In particular, we do not believe that the Proposed ASU constitutes an improvement in financial reporting in that it does not provide any additional information that is not already readily available in the financial statements today. The current guidance in Topic 220, *Comprehensive Income*, provides financial statement users with the necessary information to allow for the preparation of comparable financial analysis on the items reported in other comprehensive income ("OCI"). Accordingly, there does not appear to be a pressing need to pursue this project at this time.

representing nearly half of the automated-clearing-house, funds-transfer and check-image payments

made in the U.S. See The Clearing House's web page at <u>www.theclearinghouse.org</u>.

Established in 1853, The Clearing House is the nation's oldest banking association and payments company. It is owned by the world's largest commercial banks, which collectively employ 1.4 million people in the United States and hold more than half of all U.S. deposits. The Clearing House Association is a nonpartisan advocacy organization representing – through regulatory comment letters, amicus briefs and white papers – the interests of its owner banks on a variety of systemically important banking issues. Its affiliate, The Clearing House Payments Company L.L.C., provides payment, clearing and settlement services to its member banks and other financial institutions, clearing almost \$2 trillion daily and

In addition, we note that although Topic 220 currently gives preparers the option to present a single statement of comprehensive income, most preparers have elected to include the changes in OCI in a separate statement or in the statement of changes in stockholders' equity. Based on our members' conversations with analysts and investors, we do not believe there is a demand for companies to present a single statement of comprehensive income. More generally, we believe that if analysts and other users of financial statements wanted a single statement of comprehensive income, public companies would have responded by electing this alternative.

In response to the FASB's proposal on accounting for financial instruments, we did not support the FASB's proposal to expand the use of OCI by requiring companies to record changes in fair value for many financial instruments (including most loans and own debt) through OCI. Rather, we continue to believe that amortized cost is the appropriate measurement attribute for the preponderance of these instruments. As a result, and given the lack of analyst and investor requests for a single statement of comprehensive income today, we believe that enhanced prominence of OCI is not necessary.

Additionally, the Board has a major project underway in conjunction with the IASB on financial statement presentation.<sup>2</sup> Given the fundamental changes that are being considered as part of that project, we believe that it would be more appropriate to consider this issue in conjunction with that project, rather than pursue a piecemeal approach to financial statement presentation issues. Moreover, in light of the many other issues that the FASB has on its agenda, we believe the FASB should devote its limited resources to other, higher priority projects, such as those related to achieving convergence with the IASB on the major measurement issues surrounding financial instruments, impairment, and consolidation before proceeding with presentation changes.

We also note that the items included in OCI (consisting of foreign currency translation adjustments, unrealized gains and losses on available for sale investment securities and cash flow hedges, and certain amounts associated with defined benefit pension and other postretirement plans) consist of amounts which may or may not affect future cash flows of an entity. They do not represent changes in current operating performance and may never be realized in net income. Therefore, we are concerned that presenting these elements in a single statement with net income may mislead users into viewing OCI "earnings" as equivalent to current net income, which they are not.

Finally, if the Board does decide to proceed with the Proposed ASU, we believe that the option to present reclassification adjustments on a net-of-tax basis in OCI and on a pre-tax basis in net income would be particularly difficult for readers of financial statements to understand. Accordingly, we recommend that this option be eliminated.

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<sup>&</sup>lt;sup>2</sup> Staff Draft of an Exposure Draft on Financial Statement Presentation.

## **Conclusion**

We consider the current reporting requirements for other comprehensive income to be effective and adequate. We believe the Proposed ASU does not accomplish any improvement in financial reporting. We believe the Board should consider any potential changes to financial statement presentation as part of its financial statement presentation project, and devote its current resources to other, more urgent issues.

Thank you for considering the comments provided in this letter. If you have any questions or are in need of any further information, please contact me at (212) 613-9883 (email: <a href="mailto:david.wagner@theclearinghouse.org">david.wagner@theclearinghouse.org</a>) or Gail Haas at (212) 612-9233 (email: <a href="mailto:Gail.Haas@theclearinghouse.org">Gail.Haas@theclearinghouse.org</a>).

Sincerely yours,

David Wagner

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