INTERNATIONAL CREDIT UNION REGULATORS' NETWORK

March 28, 2011

Sir David Tweedie Chairman International Accounting Standards Board 30 Cannon Street London EC4M 6XH United Kingdom

Subject: Supplement Exposure Draft: Amortized Cost & Impairment

Dear Sir David,

The International Credit Union Regulators' Network is a network of 21 credit union regulatory agencies that have supervisory oversight responsibility for the credit unions/financial cooperatives in their jurisdictions. As supervisors of financial cooperatives, we monitor the loan loss provisioning practices of our institutions closely and have been following the development of the Supplementary Document, *Financial Instruments: Impairment* issued jointly by the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) (the Boards) dealing with amortized cost and impairment. We fully support the Boards' efforts to achieve an improved, high quality, converged impairment standard for the institutions we collectively supervise worldwide. We particularly appreciated your staff's willingness to hold a special webinar on this topic for our group in early January.

As you may know, credit unions are financial cooperatives that accept deposits, provide loans, and related financial services to their members. While some of the largest of these organizations have grown in size to rival regional banks, the vast majority of the world's 49,000 credit unions are small, simple financial institutions providing retail financial services on a local level. These institutions do not have outside investors and rarely access capital markets, either for funding or for securitization.

We are comfortable with the concept of a "good book" and "bad book" split for openportfolios. This is consistent with how most institutions manage their portfolios given the uncertainty of collecting loans. We also support the concept of a floor for the good book based on expected credit losses to occur in the foreseeable future to ensure losses are not inappropriately deferred to future periods. We do, however, have three concerns with the supplemental exposure draft.

First and most importantly, we believe that the time proportionate approach is too complex for the vast majority of credit unions that we supervise and is inconsistent with actual practice of estimating losses or managing credit risk. Secondly, we encourage the Boards to conduct appropriate field testing to include a smaller financial institution to ensure the application of the proposal's concepts result in an improved and operational credit impairment model. Thirdly, since the cooperative business model is quite distinct from a public company or investor- owned model, we would question the value of requiring credit unions to comply with the additional disclosures in financial statements. Of course, should the Boards decide that a

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less complex provision approach would be more appropriate, disclosure would become less of an issue.

Need for Practical Expedient

We appreciate the value of a forward looking loan loss approach and recognize the appropriateness of the resulting estimate is dependent on the reliability of the underlying assumptions and inputs. Any forward looking approach has, as part of its estimates, a consideration of historical loss data.

We believe that the dual calculation as well as the time-proportional approach described in paragraph B8 of the exposure draft in particular is unnecessarily complex for credit union preparers and users. The complexity is burdensome without proportionate benefit and we believe that users of financial statements within this industry would be best served with a simpler, more understandable approach. We also believe there is a need for a practical expedient that would be more operational for less sophisticated financial institutions. The existing approaches used by many financial institutions forecasts expected losses based on a number of factors including historical losses, current performance of the loan book and other relevant qualitative and environmental factors. Creating annuities, new ratios and continuous updates of a portfolio's average age does not necessarily enhance the provision or result in better estimation of expected credit losses.

An approach utilizing a common loan credit grading system which takes into consideration historical loss data *plus* a simplified forward looking component that institutions or supervisors can determine, would be more operational for preparers and understandable for the institutions' financial statement users.

Need for Field Testing

As the proposal includes concepts that differ from credit unions' current practices in estimating credit losses and managing credit risk, we encourage the Boards to conduct appropriate and timely field testing of the proposed impairment model before finalizing the standard. It would be important for the Boards to understand if smaller financial institutions such as credit unions would find the concepts operational and to learn the lead time such preparers may need to conform their tracking and reporting systems. Such information would inform the Boards re-deliberations of the standard and the appropriate effective date for implementation by smaller company preparers.

Presentation and Disclosures

An important tenant of accounting is that financial statements should be transparent, accurate and understandable to owners and users of the statements. As private entities that are owned and controlled by their members, what is meaningful for and accessible for credit union members is different than what is useful to public company's shareholders. Showing impairment losses, the existing asset portfolio and its related loss allowance is meaningful. However, much beyond this, in addition to the other financial statement disclosures, quickly gets into the area of increased costs without commensurate user benefit. While we assume that these disclosures may be set proportionally in the simplified standards for SMEs, the same simplified standards are needed for credit unions; accordingly, we again respectively request the IASB reconsider past decisions to exclude credit union preparers from the scope of permissible users of the SME standard.

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In summary, we would recommend that the Boards consider the need for a practical expedient approach for smaller preparers given the special circumstances of credit union financial statement users and other like institutions as part of its exposure process.

Please feel free to have your staff contact me should you have any questions or require any further information. Thank you for the opportunity to provide our comments.

Sincerely,

Andrew (Andy) Poprawa, CA, C. Dir.

Chair, International Credit Union Regulators' Network

& President & Chief Executive Officer,

(Credit Union) Deposit Insurance Corporation of Ontario, Canada

cc: FASB Chairman Leslie F. Seidman