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September 25, 2012

Ms. Leslie Seidman  
FASB Chairman  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

*Re: File Reference No. 2012-200 - Proposed Accounting Standards Update:  
Financial Instruments (Topic 825) Disclosures about Liquidity and Interest  
Rate Risk*

Dear Ms. Seidman:

Goldman Sachs appreciates the opportunity to provide comments on the Financial Accounting Standards Board's ("FASB" or the "Board") exposure draft on disclosures about liquidity and interest rate risk (the "Proposed Update" or the "ED").

We understand that many affected entities have expressed significant concerns about the relevance and usefulness of the disclosures proposed in the ED. We share the concerns expressed in the comment letters submitted by the Global Financial Institutions Accounting Committee of the Securities Industry and Financial Markets Association and the Senior Accounting Group of the Institute of International Finance and similarly recommend that the FASB defer the Proposed Update. We recommend that the FASB work with the prudential regulators, including the Basel Committee on Banking Supervision, to develop a consistent measurement and disclosure framework for these risks, then partner with the Securities and Exchange Commission (SEC) to enhance or clarify existing Management's Discussion & Analysis (MD&A) disclosure requirements.

## **Definition of a “Financial Institution”**

If the Board ultimately decides to issue the Proposed Update as a final standard, we support the definition of a “financial institution” for the purpose of applying the proposed ED. The definition focuses on whether the primary business activity of the entity (or its reportable segments) is to earn a spread on its interest-bearing assets and liabilities. The definition determines whether an entity would be required to disclose a Liquidity Gap Maturity Analysis, a Repricing Gap Analysis, an Interest Rate Sensitivity Analysis, and, if a depository institution, tabular information related to the cost of funding. Notwithstanding our above views, we believe the proposed disclosures would be more relevant to entities that (1) hold significant loans and debt securities with the primary objective of earning a net interest spread and not capital gains and (2) do not account for substantially all of their assets at fair value or amounts that approximate fair value, with changes in fair value reported in net income. Consequently, we believe the definition of a “financial institution” is an appropriate screen should the Board not defer the Proposed Update.

## **Effective Date**

Certain of our subsidiaries would meet the definition of a financial institution under the proposed ED and would be required to present the disclosures proposed for financial institutions in their stand-alone financial statements. Implementing the proposed disclosures for financial institutions would require extensive changes to current reporting processes. We request that the Board consider an effective date that provides for sufficient time to develop these new processes, implement the appropriate controls, and test the new controls for the affected entities.

Our detailed comments on the ED are included in the Appendix to this letter. If you have any questions or would like to discuss any of these comments further, please contact me at 212-357-8437.

Sincerely,

Matthew L. Schroeder

## Appendix

### Responses to Selected Questions

***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?*

**Response:** Our primary concern with complying with the requirement to present a cash flow obligations table that includes the expected maturities of an entity's obligations is the operational costs incurred to determine the "expected maturity" for cash flow obligations on a contract-by-contract basis. We currently do not produce or monitor this information for many of our cash flow obligations and doing so will require incremental information system build, adjustments to current reporting processes and the implementation of internal controls over the new reporting processes.

We also have operational concerns with the requirement to determine the "expected maturity" of an instrument resulting from contractual terms (for example, call dates, put dates, maturity dates, and prepayment expectations), rather than the entity's expected timing of the sale or transfer of the instrument. In practice, it will be difficult to differentiate between components of a call (or similar) decision that are purely attributable to contractual terms and those components that incorporate management's expectations of future sales or transfers. For example, an entity's decision to call callable debt incorporates a consideration of the contractual terms (contractually eligible call dates), observable market data (interest rates, credit spreads), and management's judgment (consideration of client relationships, near term business opportunities, and the overall liquidity profile of the entity). Additionally, preparing the cash flow obligations table based on "expected maturity" could mislead investors to believe that the cash flow obligations table represents the true cash flow profile of the entity when, in fact, the entity might have significant discretion in the timing of cash outflows.

If the Board ultimately decides to issue the Proposed Update as a final standard, we suggest that the Board revise the assumptions used to create the cash flow obligations table so that they are consistent with the contractual obligations table currently presented in the MD&A section of the Form 10-K and Form 10-Q filings with the SEC.

**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?*

**Response:** We do not foresee any significant operational concerns or constraints in providing the information required in paragraphs 825-10-50-23S through 23V. However, we suggest that the definition of "high quality liquid assets" be consistent with the definition determined by the firm's prudential regulator or one determined by the Basel standards to ensure consistency and comparability.

**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.*

**Response:** We believe that the proposed amendments will require incremental reporting processes that aggregate data not previously subject to management review or audit and the development of proper controls around this new data (particularly for entities and reporting segments that meet the definition of a financial institution). We request that the Board consider an effective date that provides for sufficient time to develop these new processes, implement the appropriate controls, and test the new controls for the affected entities.

Additionally, implementing the proposed ED would require reporting entities to make judgments about the timing of cash flows and other liquidity information; banks will be required to make similar judgments in connection with the implementation of the Liquidity Coverage Ratio (LCR) under Basel III (expected to be introduced on January 1, 2015). We request that the Board work with the SEC and prudential regulators to ensure that the disclosures required by the proposed ED and associated assumptions are consistent with how entities will operate under the Basel III LCR.