

September 25, 2012

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

File Reference No. 2012-200: Disclosures about Liquidity Risk and Interest Rate Risk

Dear Ms. Cosper:

MBIA Inc. appreciates the opportunity to comment on the Proposed Accounting Standards Update Financial Instruments (Topic 825), Disclosures about Liquidity Risk and Interest Rate Risk.

MBIA Inc., together with its consolidated subsidiaries, ("MBIA", "we" or the "Company") operates one of the largest financial guarantee insurance businesses in the industry and is a provider of asset management advisory services. We have several concerns related to the implementation of the standard as it is currently proposed. We have discussed these concerns in our responses to the relevant questions listed in the proposed ASU below.

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?

We are concerned that there are significant operational issues and constraints in complying with the liquidity gap maturity analysis table. MBIA, under ASC 810-10, consolidates VIEs. The trustees of these VIEs only provide information that is contractually required by the indentures and contractual arrangements between MBIA and the consolidated VIEs. The assets held by many of these VIEs are mortgage loans, derivatives, and other financial instruments.

We propose that the disclosure requirement exclude entities originally designed as bankruptcy remote entities, such as VIEs. We currently provide a significant amount of disclosure regarding our consolidated VIEs, including amounts expected to be paid under our financial guarantees from MBIA's general funds (i.e. cash payments the Company believes it may need to pay consolidated VIEs from general assets due to its financial guarantee contracts). We believe information about potential payments

under our financial guarantees is more relevant as, absent an insurance claim payment, the obligations of the VIEs are designed to be paid solely from the assets of the VIEs. Assets and liabilities of consolidated VIEs are reported separately on our Statement of Financial Position, as well as in the notes to our financial statements.

The liquidity gap maturity analysis table requires that the 'total carrying amount' column agree to the statement of financial position. This will require the expected cash flows for certain financial instruments be discounted, as the carrying value on the statement of position reflects a discounted balance. The fair value carrying amount of debt securities accounted for as available-for-sale will include discounts for liquidity risk, which the holder of a security may not intend to ever realize if the security is held to maturity. Insurance companies are generally precluded from carrying investments at held-to-maturity in their investment book. Is it the intention of the guidance to require the future cash flows to be discounted at a market perceived discount rate to ensure that the sum of future disclosed cash flows equals the carrying amount? This will not reflect an accurate expectation of future cash flows as liquidity discounts may never be realized. With the financial crisis, we observed significant liquidity discounts which were not realized, however, were reflected in fair value carrying amounts of securities accounted for as available-for-sale.

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 from 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.

We believe the term expected maturity is more meaningful than the term contractual maturity. However, we feel that the term 'expected maturity' needs more definition, especially in the context of "non-traditional" financial instruments.

Additionally, 'expected maturity' is inherently a forward looking disclosure which may prove difficult to provide enough controls and support to satisfy current Sarbanes-Oxley audit requirements for financial statements. In part, the proposed disclosure in the ASU overlaps with information already required in Management's Discussion and Analysis. We believe this information is better suited for disclosure in Management's Discussion and Analysis rather than the notes to the financial statements.

When entities do not manage their assets and liabilities on a matched basis, it is unclear to us how this table provides useful information. The majority of our investments are invested for yield, not matched to pay upcoming liabilities. Short-term quantitative liquidity disclosures provide useful information, but long-term

quantitative liquidity disclosures are less meaningful due to potential changes in liquidity management strategies and the existence of contingent liquidity resources not recognized in the statement of financial position. We believe qualitative discussions of liquidity management strategies are more meaningful than disclosure of the contractual terms of a financial asset or liabilities.

The proposed amendments do not provide sufficient guidance for the presentation of expected maturities of derivatives into the different time intervals.

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?

Similar to our response to Question #1, we have concerns about the availability and usefulness of liquidity information related to consolidated VIEs. We believe that the liquid funds disclosure should exclude certain entities whose funds cannot be used to pay the general obligations of the company. The funds of these 'bankruptcy-remote' entities currently consolidated by the Company are used to pay the obligations of the entity and cannot be drawn on by MBIA and, therefore, should be explicitly excluded from the liquidity table.

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?

We believe that the liquidity gap table will not ultimately prove useful and provides more confusing results primarily due to the significant number of VIEs consolidated by MBIA. These disclosures do not specify when assets in any of the tables can be used to pay obligations. Certain financial assets of the Company are pledged and restricted as to their use, which is not considered in the proposed disclosure. Without this information, the proposed disclosure may provide an incomplete understanding of the liquidity risk of the Company.

Currently, Management's Discussion and Analysis requires a discussion of liquidity and a tabular disclosure for future obligations on an undiscounted basis. It seems that this information is somewhat duplicative with the proposed disclosures, and, as it is not presented on the same basis (i.e., discounted vs. undiscounted), may confuse users of financial statements more than enhance users' understanding of the liquidity position of an entity.

We believe liquidity disclosures should be presented on the same basis used by management to manage its liquidity risk. We encourage the FASB to provide less

prescriptive tables for disclosure and encourage more qualitative disclosure about how management evaluates the liquidity needs of the Company.

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?

As noted above, all the information required by the interest rate risk disclosures may not be available, such as duration of mortgage loans held by our consolidated VIEs.

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 shareholders' equity? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Consistent with the comments above, we are concerned that we would be unable to provide this information for financial instruments of our consolidated VIEs.

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?

We believe that the disclosures are overly prescriptive and do not provide users with insight into how management manages and evaluates interest rate risk. We encourage the FASB to provide more flexibility and encourage preparers to provide more qualitative information regarding interest rate risk.

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.

The proposed disclosures are very prescriptive and, therefore, sufficient time should be provided to develop systematic approaches to developing and accumulating the information required. We suggest that at least two years from the final issuance date of the standard should be provided for adoption. 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.

We believe the proposed ASU includes significant overlap with liquidity and interest rate disclosures either required by or generally provided in the Management's Discussion and Analysis and Quantitative and Qualitative Disclosures About Market Risk items of Form 10-K and Form 10-Q. Overlap includes the liquidity and capital resources discussion required for Management's Discussion and Analysis and qualitative and quantitative interest rate information required for Quantitative and Qualitative Disclosures About Market Risk. We do not believe the proposed ASU provides a significant amount of meaningful incremental information.

Thank you for the opportunity to contribute to the standard-setting process.

Sincerely,

Kelley Kortman Director Accounting Policy Group MBIA Inc. 914-765-3263