



October 17, 2012

Ms. Leslie Seidman, Chairman
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

Submitted via electronic mail to director@fasb.org

Re: File Reference: No. 2012-200

Dear Madam:

Financial Executives International (“FEI”) is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior financial executives. The Committee on Corporate Reporting (“CCR”) is a technical committee of FEI, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. FEI appreciates the opportunity to comment on the Proposed Accounting Standards Update, “Financial Instruments (Topic 825) - Disclosures about Liquidity Risk and Interest Rate Risk” (the Proposed ASU). The views expressed in this letter represent the views of CCR and not necessarily the views its members individually.

CCR is supportive of the development of high quality financial reporting standards and agrees that financial statement users should have access to decision useful information. CCR also agrees that recent economic events underscore the need for users to have a more complete understanding of the risk exposures and risk management activities of a reporting entity. CCR does not believe the proposed disclosures will accomplish these objectives and thus, cannot support the Proposed ASU. CCR is concerned that the Proposed ASU unnecessarily duplicates existing disclosures, is inconsistent with risk management activities, perpetuates disclosure overload and will provide users with forward looking information that may be misleading.

CCR does not believe the Financial Accounting Standards Board (FASB or Board) should recommend new disclosure requirements until it completes the development of a comprehensive disclosure framework. A comprehensive disclosure framework should consider the placement, frequency, nature and content of information in every disclosure medium available to users. To ensure a successful outcome, we encourage the Board to continue its outreach to users and preparers and partner with the United States Securities and Exchange Commission (SEC) and other pertinent regulators to determine if enhancements to existing disclosure requirements or information are necessary, striving to strike the right balance between comparability and disclosures that are reflective of the risk exposure of the reporting

entity. Accordingly, we respectfully encourage the FASB to delay the issuance of the Proposed ASU until the completion of these efforts.

Development of a Comprehensive Disclosure Framework

CCR believes that many of the challenges the Board faces in its efforts to improve disclosure surrounding liquidity and interest rate risk are similar to those inherent in the Disclosure Framework project. Specifically, this project is as much about placement and frequency as it is about the nature and content of disclosures. While we do not see the draft framework in the recently issued Discussion Paper (DP) as being sufficiently developed and refined to provide specific help on how to modify the package of disclosures in the proposed ASU, we nevertheless believe that there is much to be learned in navigating the issues in this project that will be equally relevant to shaping a robust and effective framework for disclosure.

The issue of where to disclose this information is critically important and should be considered explicitly and from the perspective of what medium best meets investor needs. In the financial reporting model we have today, the content of the financial statements focus primarily on historical information and additional disclosures about existing conditions as of the reporting date that are relevant to investors. For the most part, the information provided is both verifiable and auditable. It also is noteworthy that the disclosures provided in the financial statements are not afforded the same protections as information provided in other parts of public filings under the Private Securities Litigation Reform Act. This suggests that expanding the content of the financial statements beyond their traditional scope exposes companies to legal risks they could otherwise avoid related to forward looking information.

Consequently, we believe that other elements of the financial reporting package (included elsewhere in the filings of public companies) are a more appropriate place to report forward looking information, including the information in the Proposed ASU. These elements include management's discussion and analysis of financial condition and results of operations (MD&A) and Item 7A, Quantitative and Qualitative Disclosures about Market Risk, which broadly provide the type of disclosure that the Board is seeking to improve. Information provided in these areas is primarily analytical in nature and provides a perspective through the eyes of management, which investors tell us is more user-friendly and insightful. Because the primary focus of MD&A is on helping investors better understand trends and risks/opportunities, there is logical connection to analytical data about interest rate and liquidity risk. We believe that the idea of segmenting reporting based on the nature and objective of the disclosure, with full consideration of where the disclosure can be most effectively provided, is an important principle that needs to be factored into the decisions in this project as well as in the refinement of the framework proposed in the DP.

The frequency of reporting is another issue that is common to both this project and the Disclosure Framework. CCR supports the view in the existing SEC framework for interim reporting, which is, interim reports are an integral part of the annual reporting cycle. Accordingly, interim disclosures are intended to update the most recent annual financial statements. The FASB has not utilized this approach in the development of standards over the past 10 years and this has created a very mixed interim reporting model on a topic-by-topic basis. For example, as it relates to the Proposed ASU, the SEC requires the contractual obligations table to be updated quarterly only when there have been significant changes to the information presented since the last Form 10-K whereas the Proposed ASU requires the cash flow obligations table to be updated quarterly even if there have been no significant changes. Over the past decade, the size of interim reports has expanded dramatically. Prior to this surge

in disclosures, interim reports largely consisted of condensed statements of earnings, financial position and cash flows, supplemented by selected notes that were deemed to be of significant interest to investors in interim periods. Abbreviated interim reporting timelines and the dramatic increase in disclosure has strained the accounting and reporting resources of the preparer community.

We believe the FASB needs to institute a high threshold in selecting what additional disclosures are required in interim reports, which should result, in most cases, in interim disclosures that are significantly narrower in scope than annual disclosures. Interim disclosure requirements should be limited to items that are accounted for differently in interim versus annual periods, significant interim events or transactions, and information that has changed significantly from disclosures in the most recent annual financials. This is a significantly different paradigm compared with the FASB model followed in recent standards in which interim and annual disclosures have largely been the same.

With regard to the future conduct of this project, we believe that the FASB needs to adopt a coordinated approach that would allow the SEC and pertinent regulators to benefit from the Board's due process on this project and take appropriate actions to modify their existing requirements as they see fit in light of the feedback received.

Redundant Disclosure Requirements

Many of the proposed disclosures duplicate current reporting requirements. Public companies are already required to provide comprehensive qualitative and quantitative disclosures about liquidity and market risk, including interest rate risk, in SEC filings. These requirements include the disclosure of known trends or demands, commitments or uncertainties that will or are reasonably likely to materially affect the risk exposure of an entity. In addition, for non-financial institutions, the Proposed ASU requires a contractual obligations tabular disclosure that is substantially similar to the one required by the SEC and financial institutions already provide detailed information related to interest rate and liquidity risk in publically available regulatory reports. Existing disclosures and publically available information may already provide users with a starting point to perform an independent analysis of these risks. Attempting to aggregate selective information in a single set of disclosures may lead users to incorrectly assume that the financial statements include all the information that is necessary to evaluate the exposure to these risks. Accordingly, CCR does not believe this information should be duplicated in the financial statements.

Inconsistency with Risk Management Activities

The Board has developed standardized disclosures in order to promote comparability. However, this approach inherently assumes that entities manage these risks the same way. These "one-size-fits-all" disclosures are based on static information and outdated analyses and ignore the fact that exposure to these risks and the actions that may be taken to counteract these risks are unique to each reporting entity. While risk management techniques vary among entities, they typically incorporate dynamic scenario modeling under stressed economic conditions rather than the static or point-in-time analysis implied by the proposed disclosures. The inconsistency between the information required by the proposed standardized disclosures and the information that is used for risk management purposes may mislead users and adversely affect both the reporting entity and investors.

To counteract these potential adverse consequences, the proposed disclosures will likely be accompanied by a disclaimer that indicates the proposed disclosures are not reflective of the risk management activities undertaken by management or the actual risk position of the reporting entity. At best, management will need to divert resources to reconcile the proposed

disclosures to existing disclosures in order to address user questions or allay user concerns. At worst, management may make uneconomic risk management decisions in order to avoid the potential adverse consequences that may result from any user misconceptions.

Forward Looking Information

As a general rule, forward looking information and financial analyses should not be included in general purpose historical financial statements due to their subjectivity and the risk that the information may be misinterpreted by financial statement users. It is for that reason that financial statement projections and forecasts are provided separately from historical financial statements, are clearly labeled as such to put the reader on notice, include appropriate caveats about the limitations of the information, and distribution is limited to users who understand the use and limitations of projections and forecasts. Mixing forward looking information with historical financial statement footnote disclosures runs the risk of conveying a higher level of reliability of the information than is warranted. Financial statements of public companies are broadly disseminated with no limits on distribution and, as proposed, the forward looking analytical disclosures would not be separately labeled or caveated. Absent the appropriate context and understanding of the limitations of forward looking data, general purpose financial statement users may misinterpret those disclosures. It is for these reasons that forward looking information is more appropriately included in MD&A where the user is on notice that the information includes financial analyses rather than in the footnotes to the financial statements.

Objective of Financial Reporting

The proposed disclosures require the use of forward looking information and assumptions which may be construed by users as a future assessment of the financial outlook of an entity. This represents a significant change in the historical understanding of the objective of financial reporting. Financial reporting typically provides users with sufficient information, based on conditions and assumptions inherent in the financial statements, to assess the historical performance of an entity. Users then use this information to make assumptions about the future performance of an entity. We do not believe financial reporting was ever intended to provide users with the assumptions and expectations of management about future performance. We respectfully encourage the FASB to reconsider whether the nature of the proposed disclosures is appropriate for public disclosure and, as noted above, incorporate any necessary enhancements to existing disclosure requirements related to these risks in the Disclosure Framework project.

Auditable Information

We are concerned about the ability of auditors to express an opinion on the information in the proposed disclosures, which would be required if the proposed disclosures are included in the notes to the financial statements. Liquidity and interest rate risk are managed using assumptions that will be challenging to audit. Risk management information includes expectations about future events or market conditions, as well as forward looking information about potential actions or judgments taken by management in response to those events and conditions. While auditors can express an opinion on static sensitivities presuming the information would be useful, we question whether auditors will be able to express an opinion on non-static sensitivities or other information that is predicated on future decisions or judgments of management.

Effective Date

If the Board decides to proceed with this project, the final standard issued by the Board should coincide with the completion of the Disclosure Framework project. The requirements, as

currently proposed, would require a significant amount of operational resources, particularly for large, global entities, as companies work to establish operational definitions, obtain and allocate resources to collect, analyze data, and prepare the disclosure. Companies should be given sufficient time to implement and test the system and process enhancements that the proposed new disclosures will necessitate.

Members of FEI would be pleased to assist the Board in answering any questions related to this letter. Please feel free to contact Lorraine Malonza at (973) 765-1047 if you have any questions regarding the views expressed in this letter.

Sincerely,

A handwritten signature in cursive script, reading "Loretta Cangialosi".

Loretta V. Cangialosi
Chair, Committee on Corporate Reporting
Financial Executives International