April 7, 2006

Technical Director – File Reference 1250-001
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: The Fair Value Option for Financial Assets and Liabilities

Dear Sir or Madam:


U.S. Central is a wholesale corporate credit union providing investment and financial products to its 29 member corporate credit unions. U.S. Central and its corporate credit union members comprise the Corporate Credit Union Network, which provides investments and financial products and services to the nation’s 9,000 natural person credit unions. U.S. Central, as a liquidity provider to the Corporate Credit Union Network, manages a balance sheet approximating $35 billion, consisting almost entirely of financial assets and liabilities. In addition, U.S. Central uses derivative instruments extensively to hedge on-balance sheet risks.

In general, we are supportive of the Board’s move toward fair value accounting for financial instruments and believe that the Exposure Draft provides the potential for much needed relief from overly burdensome hedge accounting rules and documentation standards. In addition, providing the option to fair value financial liabilities will alleviate volatility in reported equity where little exists on an economic basis. We have only a few concerns, which are discussed in the paragraphs below.

We believe that recording unrealized gains and losses for all financial instruments carried on the balance sheet at fair value in Other Comprehensive Income (OCI) rather than earnings is preferable. This approach would improve transparency for users of financial statements by ensuring that all unrealized gains and losses are aggregated in one place – the Statement of Comprehensive Income – and are presented consistently (as opposed to including some in earnings and some in OCI). The mixed model approach currently in effect would continue under the proposed Exposure Draft as a result of an entity’s ability to elect the fair value option on a contract-by-contract basis. Some financial instruments could be carried at fair value under guidance proposed by the Exposure Draft while other instruments would be accounted for under existing guidance.
In addition to the continuation of a mixed model approach for recording unrealized gains and losses, we believe that the ability to elect the fair value option on a contract-by-contract basis will decrease transparency for financial statement users, regardless of presentation or disclosure. It seems undesirable to allow similar financial instruments on an entity's balance sheet to be accounted for differently – some at fair value and some not. Disclosures currently required for various financial instruments are, at a minimum, complicated. Removing consistency in the application of accounting principles to similar instruments will only further complicate matters.

In summary, U.S. Central believes that there is significant merit in the proposed Exposure Draft and appreciates your consideration of our views. If you would like to discuss any of the points we have raised, please feel free to contact me.

Sincerely,

Douglas A. Hoelscher
Controller