September 24, 2012

Via Email to Director@FASB.org

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

File Reference No. 2012-200

Eide Bailly LLP appreciates the opportunity to comment on the proposed Accounting Standards Update, 
Disclosures about Liquidity Risk and Interest Rate Risk.

We appreciate the Board’s effort to improve accounting for financial instruments. We support the Board’s 
objective of providing financial statement users with more timely and relevant information about an entity’s 
financial instruments, and the Board’s desire to reduce complexity in the accounting and related disclosures for 
financial instruments. However, we do not believe that the proposed ASU accomplishes these objectives, 
particularly for a significant segment of entities that will be subject to the requirements; those being non-public 
financial institutions of all sizes, and especially small and medium sized non-public financial institutions. 
Accordingly, we do not support the issuance of the proposed ASU as a final standard.

The remainder of our letter addresses: (1) Cost versus benefit of the proposed disclosures, (2) Expected maturity 
used in liquidity risk disclosures, and (3) Auditability of the disclosures.

Cost versus Benefit of the Proposed Disclosures

We believe that these current disclosures will put undue burden on small and medium sized non-public financial 
institutions. In our discussions with these institutions, we have been notified that neither their current interest rate 
risk model nor the liquidity model mirror up to the proposed disclosures that are included in the proposed ASU. 
These non-public financial institutions have noted that in order to comply with the disclosures, the models will 
have to be modified in order to comply with the proposed standard. It is unknown what the cost will be associated 
with this conversion in the models as well as the time associated with the conversion. We are not aware of 
current users of non-public financial institution financial statements that are demanding these proposed types of 
disclosures. We would encourage that the Board perform outreach specifically to users and preparers of non-
public financial institutions with a specific focus on what the costs will be associated with the potential adoption of 
the proposed ASU.
Expected Maturity Used in the Liquidity Risk Disclosures

We do not agree with the proposed requirement that a financial institution would use maturities of financial instruments based on expected maturity dates that are contractually possible. We believe that utilizing expected maturity dates would increase the notion of subjectivity into the disclosures. Financial institutions would have to provide significant disclosure around all the assumptions used which could mislead users of the financial statements.

Auditability of the Disclosures

With any new accounting standard comes the potential for increased time and effort in auditing the required disclosures. Financial institutions’ interest rate risk models and liquidity risk models include a number of significant assumptions which can vary greatly for each financial institution. It is unclear if auditors will be able to have the expertise to audit these assumptions in their current audit practice. It is possible that due to potential complexity of these assumptions, auditors may have to look to specialists within the industry to properly audit these assumptions. As auditors look to specialists for auditing amounts and disclosures, the cost of audits increase which will be passed on to the financial institution. As financial institutions continue to have increased regulatory burden and increased capital requirements, additional audit costs for information that users are not demanding seems to unnecessary. Requiring these additional disclosures only adds complexity without a corresponding benefit.

Conclusion

While we appreciate the Board’s objective in providing more timely and relevant information to users with respect to an entity’s financial instruments, we do not believe that the proposal provides benefits that are commensurate with the costs to provide that information for an overwhelming number of the entities that would be subject to its requirements. Accordingly, we believe that this project needs additional consideration and should not be adopted as proposed.

Sincerely,

Eide Bailly LLP