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September 29, 2010

Mr. Russell G. Golden, Technical Director Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

File Reference: 1810-100

Dear Mr. Golden:

Moss Adams LLP is pleased to comment on the proposed Accounting Standards Update, *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* (the "proposed ASU").

Moss Adams LLP is the 11th largest accounting and consulting firm in the United States, and the largest headquartered in the West. Founded in 1913 and headquartered in Seattle, Washington, Moss Adams has 21 locations in Washington, Oregon, California, Arizona, and New Mexico. Our staff of over 1,700 includes more than 235 partners. Moss Adams provides accounting, tax, and consulting services to public, private, and nonprofit enterprises.

We appreciate the Board's efforts to improve the standards on accounting for financial instruments and support the main objective of the proposed ASU to provide financial statement users with a more timely and representative depiction of an entity's involvement in financial instruments, while reducing complexity.

We have general observations with the proposed ASU in the following areas:

- Measurement
- Credit impairment
- Convergence

The following letter addresses each of these areas. In addition, we have other specific comments on selected questions within the exposure draft which we have included as an Attachment to this letter.

Measurement

Financial Assets

We do not support the proposed classification and measurement approach for financial assets in the proposed ASU. It is our view that the measurement principle should be aligned with an entity's business strategy and should be representative of the expected cash flows.

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We believe that financial instruments that are not expected to be traded, such as loans originated and held-for-investment, should be measured using amortized cost. We believe amortized cost is preferable to fair value when the business strategy is such that the settlement with the counterparty is expected to be based on the contractual terms of the instrument. Further, the changes in fair value would create unnecessary volatility in equity that would likely be disregarded by users and regulators because such changes would not be representative of expected cash flows.

Financial Liabilities

We also believe that financial liabilities should be measured using amortized cost. We believe fair value would only be appropriate in circumstances where the liability is traded or an entity elects fair value to reduce a measurement attribute mismatch in the financial statements. Additionally, for financial liabilities measured at fair value, we believe it would only be appropriate to recognize changes in fair value related to an entity's own credit risk in income when the related liabilities are traded. For financial liabilities that are not traded and measured at fair value, we believe changes in fair value that are caused by an entity's own credit risk should be recognized in other comprehensive income. By doing so, declines in an entity's own credit risk will not result in the recognition of income, which we believe could produce misleading results from operations and amounts recorded in the balance sheet that are not readily understandable.

Core deposits

We do not support the Board's proposed remeasurement approach for core deposits. We believe that core deposit liabilities should be measured at amortized cost rather than the remeasurement approach described in the proposed ASU. We believe the average core deposit amount described in the proposed ASU would result in the recognition of an internally generated intangible asset, which is not consistent with existing U.S. GAAP. Further, we believe the remeasurement approach would add unnecessary complexity and result in costs that would exceed the perceived benefits.

Credit Impairment

We support a credit impairment model that uses expected future cash flows. We believe the American Bankers Association's (the ABA) comments within their September 1, 2009 response letter to the International Accounting Standards Board's (IASB) Request for Information associated with impairment of financial assets is worth further consideration. That position, in summary, calls for expanding the incurred loss model presently used to create "more robust loan and lease loss allowances than are currently allowed in practice." The use of an enhanced incurred loss model would more closely align the needs of financial statement users about the realizability of the financial assets with that of the preparers' expectations and ongoing evaluation of the expected future cash flows not currently embedded in the incurred loss model in practice today. Further, we agree that the elements of such a model that the ABA identifies as requiring further clarification and refinement should be clarified and refined in any final guidance to be applied by financial institutions with respect to financial debt instruments.

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Convergence

We believe it is important that the FASB and the IASB converge its standards on financial instruments. The differences in the measurement principles in the Boards' standards for financial instruments are significant and present an impediment to overall convergence between U.S. GAAP and International Financial Reporting Standards (IFRS). Moreover, as noted above, we are not supportive of the measurement and classification principles in the proposed ASU and believe the FASB should revise the proposed ASU to be more aligned with IFRS 9.

Moss Adams appreciates the opportunity to comment on the proposed ASU. We would be pleased to discuss our comments with the Board members or the FASB staff at your convenience.

Yours truly,

/s/ Moss Adams LLP

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ATTACHMENT

The following are responses to specific questions in the proposed ASU:

Question 1 – Do you agree with the scope of financial instruments included in this proposed Update? If not, which other financial instruments do you believe should be excluded or which financial instruments should be included that are proposed to be excluded? Why?

We agree with the scope of financial instruments included in the proposed ASU.

Question 10 – Do you believe that there should be a single initial measurement principle regardless of whether changes in fair value of a financial instrument are recognized in net income or other comprehensive income? If yes, should that principle require initial measurement at the transaction price or fair value? Why?

We believe transaction price is usually the most appropriate initial measurement principle which promotes consistency, comparability and understandability.

Question 11 - Do you agree that transaction fees and costs should be (1) expensed immediately for financial instruments measured at fair value with all changes in fair value recognized in net income and (2) deferred and amortized as an adjustment of the yield for financial instruments measured at fair value with qualifying changes in fair value recognized in other comprehensive income? If not, why?

We agree that transaction costs and fees should be expensed immediately for financial instruments measured at fair value with changes in fair value recognized in income and that these fees and costs should be deferred and amortized as a yield adjustment for financial instruments measured at fair value with changes in fair value recognized in other comprehensive income.

Question 12 – For financial instruments initially measured at the transaction price, do you believe that the proposed guidance is operational to determine whether there is a significant difference between the transaction price and fair value? If not, why?

We believe it will be difficult and cost prohibitive for certain entities, such as community banks and credit unions, to be required to determine the difference between a loan's initial transaction price and fair value and whether that difference is "significant." As stated above, we support a mixed attribute measurement model for financial assets and financial liabilities. For financial instruments that are not traded and in situations where an entity has not elected fair value, we believe transaction price should be used as the initial measurement without regard to fair value.

Question 24 – The proposed guidance would provide amortized cost and fair value information on the face of the financial statements. The Board believes that this would increase the likelihood that both measures are available to users of public entity financial statements on a timely basis and that both measures are given equal attention by preparers and auditors. Do you believe that this approach will provide decision-useful

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information? If yes, how will the information provided be used in the analysis of an entity? If not, would you recommend another approach (for example, supplemental fair value financial statements in the notes to the financial statements or dual financial statements)?

As stated above, we support a mixed attribute measurement model for financial assets and financial liabilities. For financial instruments measured at other than fair value, we believe disclosure of fair value should be provided in the notes or parenthetically in the face of the financial statements.

Question 25 – For hybrid financial instruments that currently would require bifurcation and separate accounting under Subtopic 815-15, do you agree that recognizing the entire change in fair value in net income results in more decision-useful information than requiring the embedded derivative to be bifurcated and accounted for separately from the host contract? If yes, how will the information provided be used in the analysis of an entity? If not, for which types of hybrid financial instruments do you believe that it is more decision useful to account for the embedded derivative separately from the host contract? Why?

We believe the hybrid financial instruments with embedded derivatives that should be bifurcated pursuant to ASC 815-10 should continue to follow current guidance.

Question 65 - Do you agree with the proposed disclosure requirements? If not, which disclosure requirement do you believe should not be required and why?

As stated above, we support a mixed measurement attribute method for financial assets and financial liabilities. We believe additional review of the proposed disclosures will be necessary if the FASB reconsiders the measurement methods in the proposed ASU.

Question 67 - Are there any disclosure requirements that you believe would provide decision-useful information and why?

The additional disclosure requirements required by ASU 2010-20 go a long way toward providing decision-useful information for financing receivables. Within this update is the requirement for the allowance for credit losses to be disaggregated by impairment methodology as such: (a) amounts collectively evaluated for impairment, (b) amounts individually evaluated for impairment, and (c) purchased credit impaired finance receivables. There is also a requirement to disclose the credit risk profile of the finance receivables portfolio by "class" or "portfolio segment." However, we believe the allowance for credit losses disclosure requirements do not sufficiently interrelate to the finance receivable disclosure requirements. Because of this, the allowance disclosure (disaggregated by impairment methodology) will be on a different basis than the financing receivables disclosure (disaggregated by "class" or "portfolio segment" and "credit quality indicator").

Consideration should be given to explicitly requiring the presentation of the determined allowance for credit losses by class or portfolio segment and by credit quality indicator. Without this level of disaggregation, several classes or segments are likely to follow similar impairment

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methodologies and the actual reserve for each of these classes would be disguised in the aggregate for that impairment methodology. By providing this disaggregated information, a financial statement user could "stress-test" the portfolio of finance receivables and determine the effects on the allowance for credit losses should all finance receivables increase (or decrease) one credit quality indicator grade within the credit risk profiling. The only significant limitation to the stress-test would be in the finance receivables that change impairment methods upon downgrade in their credit risk profile.

Enhancement of disclosures to address this issue could include disclosing underlying weighted-average collateral values of financing receivables by class and credit quality indicator (or at a minimum for only those categories considered impaired), along with weighted-average dates of measure. Further, differentiation could be made in the detail of the changes in the allowance for credit losses related to internal credit risk profile changes versus changes caused by external factors (such as a change in the underlying appraisal value).

Further updates should be considered to enhance the disclosure requirements of other financial instruments beyond receivables and the allowance for credit losses to be consistent with IFRS 9.