

September 24, 2012

Technical Director, File Reference No. 2012-240 Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk CT 06856-5116

Dear Sir or Madam:

We appreciate the opportunity to comment on FASB's Proposed Accounting Standards Update (ASU), Financial Instruments (Topic 825): Disclosures about Liquidity Risk and Interest Rate Risk. We are a regional CPA firm with revenue of approximately \$40 million, and provide audit services to a variety of entities, including approximately 25 financial institutions, five of which are SEC registrants.

We do not support issuance of the proposed ASU, for the reasons stated below:

## Liquidity Risk

For private companies, we believe disclosures regarding risks an entity faces are best addressed via a comprehensive review of disclosure requirements based on the proposed disclosure framework outlined in the *Invitation to Comment—Private Company Decision-Making Framework—A Framework for Evaluating Financial Accounting and Reporting Guidance for Private Companies.* This approach would provide an opportunity to view risks faced by an entity, and the appropriate disclosures related thereto, in a more holistic manner, rather than focusing only on one or two types of risk. For an entity whose liquidity risk gives rise to significant uncertainty about its ability to continue as a going concern, we believe FASB's current going concern project should address appropriate disclosures.

For financial institutions, the proposed ASU outlines a highly-prescriptive set of disclosures that do not necessarily correspond to the manner in which management monitors and manages liquidity risk. Accordingly, the proposed ASU would require significant additional time and effort to accumulate and disclose data that management does not believe is valuable information in helping it manage the institution, and therefore would likely be of very limited value to a user of the financial statements.

For publicly-traded financial institutions, the SEC already requires disclosures in periodic filings related to liquidity and capital resources. The imposition of disclosure requirements by FASB would thus be duplicative to some extent, while also presenting some different information. As a result, a user is likely to be confused as to how to reconcile and interpret these two sets of information about the same topic. If FASB believes the SEC's current disclosure requirements are inadequate, we suggest it share those concerns with the SEC and recommend changes therein that it believes appropriate.

Should FASB decide that, notwithstanding the above, disclosures regarding liquidity risk are necessary for financial institutions, we recommend it adopt a more principles-based, less prescriptive approach whereby the nature of the disclosures would be based on how management monitors and manages this risk on an ongoing basis. This would at least provide the user with information on liquidity risk as

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viewed "through the eyes of management," similar to the current disclosure requirements for segment information.

## Interest Rate Risk

For publicly-traded financial institutions, the SEC already requires disclosures in periodic filings related to interest rate risk. The proposed ASU would thus require the disclosure of somewhat duplicative and potentially confusing information to users, as noted above regarding liquidity risk. In addition, the proposed disclosure requirements are highly-prescriptive and do not necessarily correspond to the manner in which management monitors and manages interest rate risk. Therefore, compliance with the requirements will likely require significant effort and cost by many institutions in order to report information to users that institution management may not use in its own monitoring of this risk.

The primary users of financial statements of private and mutual financial institutions are shareholders and regulators. These parties are normally privy to much information beyond that reported in financial statements to enable them to make decisions affected by risks the institution faces.

Should FASB decide that, notwithstanding the above, disclosures regarding interest rate risk are necessary, we recommend it adopt a principles-based, "through the eyes of management" approach, similar to that described above for the liquidity risk disclosures.

Accounting Standards Codification Topic 275, *Risks and Uncertainties*, already requires the disclosure of significant estimates that have a reasonable possibility of material change in the near term, and of concentrations that make the entity vulnerable to the risk of a near-term severe impact. If FASB believes these disclosure requirements did not adequately address events in recent years that led to the failure of companies, we recommend it address the issue by revisiting these requirements, while maintaining a focus on vulnerabilities to near-term severe impacts. We would, however, caution FASB to also consider whether some of these failures were accompanied by financial statements that did not comply with the current disclosure requirements. Failure to comply with current requirements should not, by itself, be a basis for changing the requirements.

We appreciate the opportunity to submit these observations for your consideration, and look forward to FASB's continued deliberations regarding appropriate disclosures for risks faced by financial statement issuers.

Sincerely,

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