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June 21, 2013

Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856

Re: Proposed Private Company Decision-Making Framework;
File Reference No. 2013-250

To Whom It May Concern:

The Credit Union National Association (CUNA) appreciates the opportunity to submit comments to the Financial Accounting Standards Board (FASB) and the Private Company Council (PCC) in response to the proposed private company decision-making framework. By way of background, CUNA is the largest credit union advocacy organization in the country, representing the nation's state and federal credit unions, which serve over 96 million members.

The proposed framework represents the views of FASB and the PCC after considering comments received in response to FASB's initial Discussion Paper issued in July 2012. Though similar to the Discussion Paper, the proposed framework includes changes that are consistent with revisions CUNA advocated in our 2012 comment letter on the Discussion Paper.

The framework is intended to be a tool to help FASB and the PCC identify the different needs of users of private company financial statements from the users of public company financial statements. The framework should also help identify opportunities for reducing the complexity and costs associated with preparing financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

We appreciate FASB's recognition that there are material differences between private companies and public companies and that reporting requirements should reflect those distinctions, at least in some instances.

In that connection, we urge FASB and the PCC to recognize the unique nature of credit unions. Credit unions—as not-for-profit, member-owned financial cooperatives—exist to serve their members, not to make a profit for shareholders. Unlike most other

financial institutions, credit unions do not issue stock or pay dividends to outside stockholders. By law, they must use their earnings to build capital and as member-owned cooperative institutions, work hard to provide favorable rates on loans and savings, and to minimize fees.

Differential Factors and their Implications for Financial Reporting

Consistent with the initial Discussion Paper, the proposed framework includes several private company differential factors[1] and discusses their implications for private company financial reporting. The proposed framework also addresses how the cost-benefit considerations of financial reporting may vary between private companies and public companies.

Generally, we believe FASB has identified in the proposed framework the appropriate factors differentiating private companies from public companies that the PCC will consider in its assessment of whether alternatives within GAAP are necessary and appropriate. In addition, the PCC should consider complexity of operations as a differential factor. We believe the factors should be used simply as a guide for determining whether to allow a GAAP alternative for private companies and that no single factor should be dispositive in the PCC's assessment.

Determining Recognition and Measurement Guidance

The initial Discussion Paper was silent on whether to require a private company to elect all applicable recognition or measurement alternatives within GAAP or to allow it to choose the recognition and measurement alternatives it deems appropriate. The proposed framework would generally provide a private company the flexibility to apply the alternatives within recognition or measurement guidance that it determines are appropriate without having to apply all such alternatives.

CUNA strongly supports the proposed approach of providing a private company with the flexibility and discretion to allow it to apply recognition or measurement alternatives within GAAP if the company determines they are useful and appropriate. In light of the vast differences among private companies regarding their structure and the users of their financial statements, we believe it is critical that a private company be permitted to elect to apply alternatives that are appropriate and relevant to the specific needs of that company and to the unique users of its financial statements.

[1] These are: (1) types and number of financial statement users, (2) access to management, (3) investment strategies of equity investors, (4) ownership and capital structures, (5) accounting resources, and (6) learning about new financial reporting guidance.

However, we have concerns about the proposed framework's comment that, in certain circumstances, FASB and the PCC may require that private companies link the use of alternatives in one area to the use of such alternatives in another area. While we agree it is possible that there may be a circumstance where it is appropriate to link application of alternatives, we urge FASB and the PCC to allow private companies to make those determinations.

Industry-Specific Guidance

The initial Discussion Paper included a presumption that industry-specific guidance for recognition and measurement is relevant to financial statement users of both public and private companies. As a result, it excluded industry-specific guidance from consideration of alternatives for private companies within GAAP. In response to public comments, including from CUNA, the current proposed framework does not include such a presumption.

However, under the proposal, FASB and the PCC would consider whether the same industry-specific guidance is relevant to financial statement users of both public and private companies operating in those industries. If not, then FASB and the PCC can consider alternatives for that industry-specific guidance for private companies.

We urge FASB and the PCC to eliminate this approach, as we are concerned that their effectiveness in developing appropriate standards could be affected if FASB and the PCC determine that industry-specific guidance is relevant to public and private companies alike. Further, we are concerned that this approach could lessen the flexibility that GAAP alternatives would otherwise provide credit unions and other private companies.

Scope / Definition of Private Company

Later this year, FASB plans to issue an exposure draft on the definition of a private/nonpublic company. It is our understanding that in its preliminary deliberations, FASB has tentatively determined the types of business entities that would not be included in the scope of the private company decision-making framework.[2] FASB has indicated that a business entity would not be within the scope of this framework if it (1) files financial statements with a regulatory agency for purposes of issuing securities in a public market or issuing securities that trade in a public market, or (2) is a conduit bond obligor for conduit debt securities that are traded in a public market.

[2] If an entity is within the scope of the framework, that entity may not necessarily be eligible to apply all financial accounting and reporting alternatives within GAAP that are made available to business entities that are within the scope of the framework. FASB and the PCC will consider factors such as user needs, on a standard-by-standard basis, when determining which business entities within the scope of the framework will be eligible to apply accounting and reporting alternatives within GAAP.

FASB has tentatively decided that a financial institution could be considered within the definition of a private company, but could be excluded from the scope of specific exceptions if FASB and the PCC determine that those differences may adversely affect the relevance of information provided to financial statement users. While we understand the definition will be addressed in an exposure draft later this year, we urge FASB to keep in mind the important differences noted above between credit unions and other types of financial institutions as FASB develops the exposure draft on the definition of private/nonpublic company.

Thank you for the opportunity to express our views on the FASB's private company decision-making framework. We believe a proper framework is essential to the PCC achieving its original charge of "improving the process of setting accounting standards for private companies."[3] If you have any questions about our comments, please do not hesitate to contact CUNA's Deputy General Counsel Mary Dunn or me.

Sincerely,

Luke Martone

[3] Financial Accounting Foundation Board of Trustees, Establishment of the Private Company Council, Final Report (May 30, 2012).