



OHIO CREDIT
UNION LEAGUE

June 21, 2013

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

via e-mail: director@fasb.org

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

Dear Sir or Madam:

The Ohio Credit Union League (OCUL) appreciates the opportunity to comment on the Financial Accounting Standards Board's (FASB) Proposed Private Company Decision-Making Framework, File Reference No. 2013-250.

OCUL is the trade association for credit unions in Ohio and advocates on behalf of Ohio's 357 federal-and state-chartered credit unions, serving their 2.7 million members. The comments reflected in this letter represent the recommendations and suggestions that OCUL believes would be in the best interests of Ohio credit unions.

Background

The proposed framework represents the views of FASB and the Private Company Council (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 two primary differences. The framework is intended to be a tool to help FASB and the PCC identify differential information needs between users of public company financial statements and users of private company financial statements and to identify opportunities to reduce the complexity and costs of preparing financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Accounting Standards Should Be Tailored to Address the Unique Organization of Credit Unions

OCUL urges FASB and the PCC to recognize the unique nature of credit unions as they finalize the private company decision-making framework. Credit unions—as not-for-profit, member-owned financial cooperatives—exist to serve their members not to make a profit. Unlike most other financial institutions, credit unions do not issue stock or pay dividends to outside stockholders. They use their earnings to build capital and work hard to provide favorable rates on loans, and savings, and to charge lower fees. Standards that should apply to public companies, or even to other types of private companies, should not apply to credit unions due to these unique characteristics.



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Differential Factors and their Implications for Financial Reporting

Consistent with the initial Discussion Paper, the proposed framework includes several private company differential factors and their implications for private company financial reporting. The differential factors were identified based on an assessment of how and why the needs of users of private company financial statements may differ from those of public company financial statements. In particular, OCUL reminds FASB and the PCC that the primary end users of a credit union's financial statements is the credit union's regulator, not an investor seeking to determine whether to invest in the credit union.

OCUL applauds FASB and the PCC in their efforts to establish a framework that the PCC can use to make decisions that will lead to more relevant information to users of private company financial statements in a more cost-effective manner, as well as reducing the financial reporting burden on credit unions and other private companies. The credit union's regulator, as primary end user of the information, has expertise in evaluating the credit union's financial condition, using the standards they have developed to review safety and soundness, which may not match those developed by FASB and the PCC. Use of the differential factors as proposed, would allow a credit union to better tailor its financial statements to the regulator's standards while complying with FASB standards.

Generally, OCUL believes 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. The factors should be used simply as a guide for determining whether to allow an alternative to GAAP for private companies and that no single factor should be dispositive in the PCC's assessment.

Determining Recognition and Measurement Guidance

OCUL welcomes the inclusion of a section on determining recognition and measurement guidance, acknowledging that a sufficient basis exists to provide recognition or measurement guidance for private companies that differs from the related guidance for public companies. Accordingly, OCUL 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 entity determines they are useful and appropriate. In light of the vast differences among private companies in regard to their structure and the users of their financial statements, OCUL believes 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 its financial statements.

OCUL notes that the proposed framework comments that, in certain circumstances, FASB and the PCC may require that application of alternatives for private companies within recognition or measurement in one area be linked to the application in another area. While it is possible that there may be a circumstance where it is appropriate to link application of alternatives, such circumstances should be rare and designation by PCC should be done sparingly.

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Industry-Specific Guidance

As noted above, the unique characteristics of credit union organization and governance should be taken into account in determining alternatives under GAAP. However, there are also characteristics that a credit union shares with other smaller private financial institutions. Therefore, OCUL strongly believes there is merit in allowing GAAP alternatives to certain financial institution-specific accounting standards that could be employed by credit unions and other private financial institutions.

Under the proposed framework, private companies would be required to follow the same industry-specific guidance that public companies are required to follow in instances in which FASB and the PCC determine such guidance is relevant to financial statement users of both public and private companies operating in those industries. OCUL urges FASB and the PCC to utilize their discretion in this area very cautiously. The effectiveness of the PCC could be minimized if FASB and the PCC determine that industry-specific guidance is relevant to public and private companies alike too often, therefore forgoing the use of GAAP alternatives for private companies operating within that industry.

Conclusion

OCUL urges FASB and the PCC to be mindful of the essential differences inherent in the organization and governance of a credit union. Flexibility should be allowed in choosing alternate methods of recognition and measurement, so long as those are valid under GAAP. This flexibility will allow a clearer picture of the credit union's finances to be outlined for the primary end user of that information, the credit union regulator.

The Ohio Credit Union League appreciates the opportunity to provide comments on FASB's Proposed Private Company Decision-Making Framework and is available to provide additional comments or information on this proposal if so requested. If you have any questions, please do not hesitate to contact me at (800) 486-2917 or jkozlowski@ohiocul.org.

Respectfully submitted,


John F. Kozlowski
General Counsel


Carole McCallister
Manager, Regulation & Information

cc: Mary Dunn, Credit Union National Association General Counsel
Barry Shaner, OCUL Chair
OCUL Board of Directors
Ohio Governmental Affairs Committee
Paul Mercer, OCUL President