FASB Disclosures Liquidity Interest Rate Risk

Date of Entry: 9/24/2012

Respondent information

Type of entity or individual:

Credit Union CFO

Contact information:

3.

Organization: Alabama Credit Union

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Questions and responses

1. For a financial institution, the proposed amendments would require a liquidity gap table that includes the expected maturities of an entity's financial assets and financial liabilities. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

As a Credit Union, we already have numerous regulatory requirements regarding our ALM analysis and though this information is useful to our management team and officials (Board, ALCO, Supervisory Committee), this would be an unnecessary addition to the already substantial compliance costs (including time and expense)we incur. In addition, as Credit Unions are not publicly traded companies, the users (our members) of this information would find this information both irrelevant and confusing.

2. For an entity that is not a financial institution, the proposed amendments would require a cash flow obligations table that includes the expected maturities of an entity's obligations. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

As the former Senior V.P. Auditing/Compliance for the League of Southeastern Credit Unions as well as having worked for a CPA firm in the Birmingham, AL area conducting audit and compliance work for Credit Unions in both capacities, this additional required information is unnecessary and I again reiterate my points made within my response to the first question.

The proposed amendments would require information about expected maturities for financial assets and financial liabilities to highlight liquidity risk. Expected maturity is the expected settlement of the instrument resulting from contractual terms (for example, call dates, put dates, maturity dates, and prepayment expectations) rather than an entity's expected timing of the sale or transfer of the instrument. Do you agree that the term expected maturity is more meaningful than the term contractual maturity in the context of the proposed liquidity risk disclosures? If not, please explain the reasons and suggest an alternative approach.

Please refer to my responses to the prior two questions. Again, this analysis is already conducted within our ALM models and reviewed with management and our officials along with regulators and auditors.

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The proposed amendments would require a quantitative disclosure of an entity's Comment Letter No. 195 4. available liquid funds, as discussed in paragraphs 825-10-50-23S through 50-23V. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Please refer to my responses to the prior three questions. Again, this analysis is already conducted within our ALM models and reviewed with management and our officials along with regulators and auditors. Also notable, this information would require further time and expense to the both the Credit Union and to the members. Credit Unions strive to keep costs low and return the highest rate of return to their members in the form of lower loan rates and higher dividends while also keeping in mind regulatory capital reserve requirements.

5. For depository institutions, the proposed Update would require a time deposit table that includes the issuances and acquisitions of brokered deposits during the previous four fiscal quarters. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

This would primarily be inapplicable to our Credit Union; however, please refer to my responses to question numbers 1 through 4 above.

6. As a preparer, do you feel that the proposed amendments would provide sufficient information for users of your financial statements to develop an understanding of your entity's exposure to liquidity risk? If not, what other information would better achieve this objective?

n/a- I am no longer a preparer as I worked internally within the Credit Union. However, the users of our financial statements, our members, would most commonly find this information irrelevant and it could result in confusion about the stability of the Credit Union.

7. Does the liquidity gap table described in paragraphs 825-10-50-23E through 50-23K provide decision-useful information about the liquidity risk of a financial institution? If yes, how would you use that information in analyzing a financial institution? If not, what information would be more useful?

Please refer to my prior responses.

Does the cash flow obligations table described in paragraphs 825-10-50-23M through 50-8. 23R provide decision-useful information about the liquidity risk of an entity that is not a financial institution? If yes, how would the information provided be used in your analysis of an entity that is not a financial institution? If not, what information would be more useful?

Please refer to my prior responses. Again, some of the disclosure requirements recently effective including the new merger accounting and additional disclosure requirements are overburdensome and certainly irrelevant to our users of Financial Statements as we are not publicly traded organizations.

9. Paragraphs 825-10-50-23S through 50-23V would require an entity to disclose its available liquid funds. Would this table provide decision-useful information in your analysis? If not, what information would be more useful?

Please refer to all of my prior responses. This information is already analyzed and reviewed within our ALM modeling and reported to our ALCO and remaining officials periodically.

10. Are the proposed time intervals in the tables appropriate to provide decision-useful Comment Letter No. 195

information about an entity's liquidity risk? If not, what time intervals would you suggest? Do you believe that there are any reasons that these required time intervals should be different for financial institutions and entities that are not financial institutions?

Please refer to all prior responses.

11. With respect to the time intervals, should further disaggregation beyond what is proposed in this Update be required to provide more decision-useful information to the extent that significant amounts are concentrated within a specific period (for example, if a significant amount of liabilities are due in Year 10 of the "past 5 years" time interval)? Please explain.

Please refer to all prior responses.

12. For depository institutions, the proposed Update would include a time deposit table that includes the issuances and acquisitions of brokered deposits during the previous four fiscal quarters. Would this table provide decision-useful information in your analysis of depository institutions? If not, what information would be more useful?

Please refer to all prior responses.

13. The interest rate risk disclosures in this proposed Update would require a repricing gap table. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Please refer to all prior responses.

14. The interest rate risk disclosures in this proposed Update would include a sensitivity analysis of net income and shareholders' equity. Do you foresee any significant operational concerns or constraints in determining the effect of changes in interest rates on net income and shareholders' equity? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Please refer to all prior responses.

15. As a preparer, do you feel that the proposed amendments would provide sufficient information for users of your financial statements to understand your entity's exposure to interest rate risk? If not, what other information would better achieve this objective?

Please refer to all prior responses.

16. Would the repricing gap analysis in paragraphs 825-10-50-23Y through 50-23AC provide decision-useful information in your analysis of financial institutions? If yes, how would this disclosure be helpful in your analysis? If not, what information would be more useful?

17. Are the proposed time intervals in the repricing gap table in paragraphs 825-10-50-23AB through 50-23AC appropriate to provide decision-useful information about the interest rate risk to which a financial institution is exposed? If not, which time intervals would you suggest?

18. The interest rate risk disclosures in this proposed Update would include a sensitivity Letter No. 195

analysis portraying the effects that specified changes in interest rates would have on net income and shareholders' equity. Currently, many banks and insurance companies provide a sensitivity analysis of the economic value of equity instead of shareholders' equity. A sensitivity analysis of economic value would include the changes in economic value of financial instruments measured at amortized cost, such as loans and deposits. A sensitivity analysis of shareholders' equity would only include those changes that affect shareholders' equity. Therefore, the changes in the economic value of financial instruments measured at amortized cost would not be reflected in the sensitivity analysis although changes in interest income would be reflected. Do you think that a sensitivity analysis of shareholders' equity would provide more decision-useful information than would a sensitivity analysis of economic value? Please discuss the reasons why or why not.

Do you think that it is appropriate that an entity that is not a financial institution would not be required to provide disclosures about interest rate risk? If not, why not and how would the information provided be used in your analysis of an entity that is not a financial institution?

20. The amendments in this proposed Update would apply to all entities. Are there any entities, such as nonpublic entities, that should not be within the scope of this proposed Update? If yes, please identify the entities and explain why.

I see several issues with the proposed disclosures for credit unions. Namely, FASB's objective to provide information to a community of users that doesn't exist for credit unions. Any additional work to pull together these disclosures, including that of auditors to opine, is added cost with no benefit. Therefore, I believe credit unions should be exempt. Beyond that, the types of disclosures requested add another dimension of measurement and reporting that isn't decision-useful and could ultimately mislead the reader as to the health of the financial institution.

Although the proposed amendments do not have an effective date, the Board intends to address the needs of users of financial statements for more information about liquidity risk and interest rate risk. Therefore, the Board will strive to make these proposed amendments effective on a timely basis. How much time do you think stakeholders would require to prepare for and implement the amendments in this proposed Update? Should nonpublic entities be provided with a delayed effective date? If so, how long of a delay should be permitted and why? Are there specific amendments that would require more time to implement than others? If so, please identify which ones and explain why.

Please refer to my response in number 20.

19.

22. Do you believe that any of the amendments in this proposed Update provide information that overlaps with the SEC's current disclosure requirements for public companies without providing incremental information? If yes, please identify which proposed amendments you believe overlap and discuss whether you believe that the costs in implementing the potentially overlapping amendments outweigh their benefits? Please explain why.

Please refer to my response in number 20.

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Additional Please provide any additional comments on the proposed Update or any comments Comment Letter No. 195 this electronic feedback process below.

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