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Via email to: director@fasb.org

September 14, 2012

Technical Director
File Reference No. 2012-200
Financial Accounting Standards Board
401 Merit 7
PO Box 5116
Norwalk, Connecticut 06856-5116

RE: Proposed Accounting Standards Update
Financial Instruments (Topic 825)
Disclosures about Liquidity Risk and Interest Rate Risk
June 27, 2012
Comment Deadline: September 25, 2012

Sir or Madam:

The Accounting Principles and Auditing Standards Committee (the APAS Committee) of the California Society of Certified Public Accountants (CALCPA) is pleased to provide our comments to the Financial Accounting Standards Board (the "Board").

The Committee is the senior technical committee of CalCPA. CalCPA has approximately 40,000 members. The Committee is comprised of 49 members, of whom 53 percent are from local or regional firms, 27 percent are from large multi-office firms, 10 percent are sole practitioners in public practice, 8 percent are in academia and 2 percent are in an international firm.

Following is a summary of the Committee's responses to the Proposed ASU for your consideration.

Questions for Preparers and Auditors—Liquidity Risk

Question 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?*

Response: The Committee is concerned that some preparers may not have a sufficient history to enable them to estimate expected maturities of certain assets or liabilities, such

as prepayments. In those situations, the Committee suggests that contractual maturities form the basis for the disclosures. The Committee also believes that discussion of expected maturities and the bases for differences from contractual maturities should be disclosed.

Question 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?*

Response: As with financial institutions, the Committee is concerned that preparers may not have a sufficient basis to enable them to estimate expected maturities if different than contractual maturities, particularly if expected maturities are based, in part, on the expected behavior of creditors over which the entity has no control. In those situations, the Committee suggests that contractual maturities form the basis for the disclosures.

Question 3: *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.*

Response: The Committee believes that the term *expected maturity* is somewhat misleading and prefers the term *expected settlement*. In measuring risk, the Committee believes that expected maturity may require separate limitations for assets and liabilities. With respect to assets, the Committee believes that the expected maturity should not be limited to the contractual terms, for example if expected collection of a debt is after its contractual maturity. Many Committee members believe that the expected maturity of liabilities should never extend beyond the earliest date of potential maturity, such as a put option date, since the exercise of such put is outside the control of the entity. Other Committee members agree that expected maturity should be used for both assets and liabilities since disclosure of contractual maturities is already required by GAAP, but also believe that a discussion of expected maturities and the bases for differences from earliest contractual maturities should be disclosed.

Question 4: *The proposed amendments would require a quantitative disclosure of an entity's 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?*

Response: The Committee does not foresee any significant operational concerns or constraints.

Question 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?*

Response: The Committee does not foresee any significant operational concerns or constraints.

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

Response: Users of financial statements are accustomed to evaluating an entity's cash flows based upon the three classifications within the statement of cash flows. Accordingly, information on liquidity should, where feasible, be presented within these three classifications – operating, financing and investing – so that users can associate an entity's liquidity in a consistent manor with historical financial information regarding cash flows. For example, expected cash flow obligations should be presented by financial liability type grouped into the classification in which such cash flows are normally classified – operating, financing or investing.

Questions for Preparers and Auditors—Interest Rate Risk

Question 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?*

Response: The Committee does not foresee any significant operational concerns or constraints.

Question 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.*

Response: The Committee does not foresee any significant operational concerns or constraints.

Question 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?*

Response: The Committee believes the proposed amendments provide sufficient information to understand an entity's risks.

Question 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.*

Response: The Committee believes that all nonpublic entities other than financial institutions should not be required to provide these disclosures. The Committee observes that the information currently required by GAAP and the ability of users to inquire directly of management regarding liquidity risk concerns is sufficient. For financial institutions, the Committee believes that nonpublic financial institutions with assets under \$500 million should be able to elect, and not be required, to provide these disclosures. The Committee does not believe that the accounting for financial instruments as a derivative should be a criteria for requiring the disclosures.

Question 21: *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.*

Response: The Committee believes that nonpublic entities should be permitted an additional year beyond requirements for public entities to implement whatever disclosures are required, but that early implementation be permitted.

Question 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.*

Response: The Committee is not sufficiently familiar with the SEC's requirements to respond.

We thank you for the opportunity to comment on this matter. We would be glad to discuss our comments with you further should you have any questions or require additional information.

Sincerely,

A handwritten signature in black ink that reads "Howard Sibel". The signature is written in a cursive style with a large, prominent 'H' and 'S'.

Howard Sibelman, Chair
Accounting Principles and Auditing Standards Committee
California Society of Public Accountants