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Washington, DC 20036

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Donna J. Fisher
SVP – Tax, Accounting &
Fincl. Mgmt.

Phone: 202-663-5318
Fax: 202-663-5209
Email: dfisher@aba.com

April 14, 2009

Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
301 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via email: director@fasb.org

File Reference: No. 1630-100 Preliminary Views of Financial Statement
Presentation

Dear Mr. Golden:

The American Bankers Association (ABA) appreciates the opportunity to comment on the discussion paper, *Preliminary Views of Financial Statement Preparation* (DP). ABA brings together banks of all sizes and charters into one association. ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members – the majority of which are banks with less than \$125 million in assets – represent over 95 percent of the industry's \$12.7 trillion in assets and employ over 2 million men and women. We agree that users' understanding of financial information is critical and that effective financial statement presentation is important. However, while we support the overall objectives underlying the proposed presentation model, there are issues in the DP, especially as they affect financial statements of banking institutions, that appear to prevent the objectives from being achieved.

Our concerns and observations about the DP are provided below.

Primary Concerns and Observations

No persuasive need to change

There appears to be no persuasive need to change the presentation of the financial statements. There are constant and varied requests of banking institutions to provide financial information in greater amounts of detail. However, these requests would never be satisfied through changes in format or presentation, as suggested in the DP. Requested information has been satisfied within the footnotes to the financial statements or through inclusion (for example, regarding forecasts or other analysis) in management's discussion and analysis. It seems illogical to introduce a new format and to undergo the effort of educating users of financial statements

without a rational basis for doing so. More sophisticated investors, with the introduction and growth of the use of XRBL, will have the ability to develop their own formats, making such change unnecessary as investors determine their own specific use for each unit of data.

The Statement of Earnings should be separate from the statement of other comprehensive income

Requiring the statement of other comprehensive income to be presented with the statement of earnings not only provides little value to the user of the financial statement, but it is misleading to the user of banking financial statements, since traditional banks are not managed on a trading or liquidation basis. Banks manage cash flows, credit risks, and liquidity.

By nature, other comprehensive income does not relate to core business results. Especially in today's market environment, when fair values often have no relation to their expected cash flows, such a presentation only leads the reader to inappropriate conclusions as to the entity's performance. Even in a liquid and expanding credit market with rising fair values, requiring the combined presentation as a Statement of Comprehensive Income will erroneously create expectations of dividends based on the supposed "improved performance." With this in mind, we recommend retaining the option to separate the statements of earnings from the statements of other comprehensive income.

The direct method of presenting cash flows is irrelevant for banking institutions

Requiring a statement of cash flows prepared using the direct method will add no value to users of banking institutions' financial statements. Bankers do not manage cash flow in this manner and preparers rarely receive requests for more granular cash flow information or different presentation. Banks manage cash flow and liquidity on a comprehensive basis that normally transcends the individual categories presented. Banks also manage liquidity on a daily basis, thereby eliminating the statement of cash flows as a tool for predicting future cash flows or analyzing performance.

Preparing the cash flow statement on a direct basis will require very significant resources, which will far outweigh the benefits derived by users. Therefore, we recommend continuance of the option to present the statement of cash flows on an indirect basis.

Disaggregating activities of banks adds no value to users

For non-bank institutions that have business activities and financing activities that are separated, we agree with the DP's disaggregation & liquidity and flexibility objectives, which separate business activities from financing activities of an entity on the statement of earnings and the statement of financial position in order to provide

more useful information to users. This information may help users of financial statements better understand their business model. However, we believe this kind of breakout will have little or no value to users of financial statements of banking institutions. In many cases, it will mislead the users.

Banks normally manage their operations comprehensively, with little or no difference between an operating activity and a financing activity. In fact, most financing activities in a bank are considered to be part of the daily operations. For example, investing activities, whether through the use of derivatives or specific investment positions, often hedge positions that would be reported in the financing category. Further, banks often generate revenue relating to assets that are off-balance sheet (trust assets are just one example).

In essence, both investing activities and financing activities normally *are* operating activities at a bank. Therefore, such a presentation, while perhaps effective for many other kinds of organizations, will be ineffective for banking institutions.

The reconciliation of cash flows to comprehensive income is confusing

In accordance with our recommendation to allow the statement of cash flows to be prepared by the indirect method, we believe the reconciliation of cash flows to comprehensive income (reconciliation) is unnecessary. In essence, the indirect method performs virtually the same function within the statement itself.

When the statement of cash flows is presented using the direct method, the reconciliation appears to be a helpful worksheet. However, it does not appear to provide any significant information not already included in the footnotes to the financial statements. Since each financial statement is normally presumed to stand alone for the users, the reconciliation puts into question the implied usefulness of each of the statements individually.

Other Observations

Comparability with other organizations will be reduced

While we believe that the management approach to classification can potentially provide a clearer picture of how management views its business, classifying assets and liabilities in the business and financing sections based on management's current view will likely decrease comparability of information among different organizations, including banking institutions. The integration of operating, investing, and financing activities at a bank will often make classification arbitrary and can provide a wide range of irrelevant or misleading subtotals (and ratios based on those subtotals) within the statement of financial position. This methodology may also decrease year to year comparability as management's view of its business evolves.

Presentation of discontinued earnings

We agree that discontinued operations should be separated, where practicable, from continuing operations and financing activities, and believe it will assist users in analyzing core operations.

Summary

To summarize, we believe the objectives that the DP is attempting to achieve will not be met because of the significant items noted above.

Thank you for your attention to these matters and for considering our views. Please feel free to contact Mike Gullette, ABA's VP of Accounting and Financial Management (mgullette@aba.com; 202-663-4986) or me if you would like to discuss our views.

Sincerely,

A handwritten signature in cursive script that reads "Donna J. Fisher". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

Donna Fisher