

May 1, 2014

Mr. Russell Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856

The Honorable Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom

Re: Financial Instruments: Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities

Dear Chairmen Golden and Hoogervorst:

The Financial Instruments Reporting and Convergence Alliance (“FIRCA”) is a coalition of business, financial, insurance and real estate trade organizations representing all sectors of the economy and areas of the financial services arena. FIRCA recognizes that accurate and transparent financial reporting is a cornerstone of our capital markets in the United States and globally.

An important priority of FIRCA is the convergence of accounting standards to create a universal financial reporting language that can be used by investors and issuers domestically and globally. FIRCA appreciates the work of the Financial Accounting Standards Board (“FASB”) and the International Accounting Standards Board (“IASB”) (also collectively as the “Boards”) in attempting to create a converged accounting standard on financial instruments and we have filed numerous comment letters with both Boards on the Financial Instruments projects.

While FIRCA believes that FASB’s approach to classification and measurement is an appropriate means of disclosing and reflecting financial activity, FIRCA has serious concerns that IASB’s current direction for classification and measurement may lead to an accounting standard that is not of high quality. Accordingly, FIRCA recommends that the Boards coalesce around the FASB approach, or in the alternative not to converge the standard.

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Our concerns are discussed in greater detail below.

FIRCA Mission and Principles

The mission of FIRCA is:

- To support the use of high quality, robust international accounting standards developed and adopted jointly by the IASB and the FASB. These standards should be decision-useful, reliable, and relevant. Additionally, these standards should present financial information in a manner that reflects the business operations of the reporting entity. Appropriately crafted standards should transparently provide information and not drive economic activity.
- To assist standard setters in providing a wide range of input to ensure the proper consideration of business operations and potential unintended consequences in the development and implementation of accounting standards.
- Recognizing the ongoing impacts of the 2008 financial crisis and continued currency pressures in the Euro Zone are global in scope and magnitude, we will continue to work with standard setters and decision makers to ensure that these projects are conducted jointly to provide a comprehensive response to financial reporting policies.

Comments on Proposal

IASB's proposal would likely require all but the most senior tranche of a security to be accounted for at fair value with changes in fair value reported in net income. Similarly, payments on a loan or a security that are not contractual payments of principal and interest may require such instruments to be accounted for at fair value with changes in fair value reported in net income. Late charges, escrow payments, and ancillary income would have to be examined under these provisions. Further, sales of securities to reduce credit concentration could taint the presumption

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of held for contractual cash flows resulting in loans and securities to be carried at fair value with changes in fair value reported in net income instead of carrying such assets at amortized cost.

The FASB in recent months has backed away from the above approach and is leaning toward little change from the existing classification and measurement regime. FIRCA believes that existing U.S. Generally Accepted Accounting Principles (“USGAAP”) is still appropriate, or put in another way, “if it’s not broken, don’t break it!”

Conclusion

FIRCA looks forward to continuing our efforts to work with the IASB and FASB to achieve our goals of robust accounting standards that reflect the economic activity of business operations in the furtherance of efficient and fair global capital markets. While convergence is a goal that should be attained, it must be done through the crucible of due process that will ensure high quality accounting standards. A failure to achieve a high quality accounting standard will guarantee that a converged standard will not meet the needs of investors and issuers and will make the global capital markets less efficient.

It is the hope of FIRCA that FASB and IASB can achieve this goal and we stand ready to assist you in doing so.

Sincerely,

American Council of Life Insurers
Barnert Global, LTD.
CRE Finance Council
Mortgage Bankers Association
National Association of Real Estate Investment Trusts
Property Casualty Insurers Association of America
The Real Estate Roundtable
U.S. Chamber of Commerce