



Credit Union National Association

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October 31, 2012

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

Re: Comments on Proposed Private Company Decision-Making Framework –
File Reference No. 2012-230

To Whom It May Concern:

This letter represents the views of the Credit Union National Association (CUNA) on the Financial Accounting Standards Board's (FASB) proposed *Private Company Decision-Making Framework*. By way of background, CUNA is the largest credit union advocacy organization in the country, representing approximately 90% of the nation's 7,000 state and federal credit unions, which serve about 95 million members.

CUNA's Comments on Proposed Decision-Making Framework

We appreciate the Financial Accounting Foundation (FAF) and FASB's recognition that the inherent differences between private companies and public companies warrant exceptions and modifications to the application of U.S. Generally Accepted Accounting Principles (GAAP) to private companies in certain instances. Further, we urge FASB to recognize the unique nature of credit unions as it develops the decision-making framework, which will be used by the recently created Private Company Council (PCC) when determining whether exceptions to GAAP for credit unions and other private entities are appropriate.

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. We urge FASB to consider that the credit union business model is quite different from that of publicly traded entities. The stakeholders of a credit union for information purposes are its members and its regulator, not the public or shareholders who have purchased publicly traded stock.



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Generally, we believe FASB has identified in the draft framework the appropriate factors differentiating private companies from public companies that the PCC will examine in its assessment of whether exceptions to GAAP are necessary and appropriate. The staff recommendations should result in 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.

However, we do not support the approach contemplated in the framework that would require private companies that apply industry-specific accounting guidance to generally follow the same industry-specific guidance that public companies are required to follow. FASB believes such an approach may be appropriate because of a presumption that guidance is relevant to financial statement users of both public companies and private companies operating in those industries. We believe such an approach is wholly inappropriate as it applies to credit unions given the vast differences between the financial statement users of a credit union and those of a publicly traded financial institution. We urge FASB to reconsider this approach, and at a minimum, exclude credit unions from such a requirement.

The proposed framework considers allowing private companies to choose which private-company exceptions to apply, instead of requiring an *all or nothing* approach. We believe an approach that allows flexibility regarding exceptions has merit, but more feedback from our members is necessary before we take a position supporting this approach. Such an approach will likely have many ramifications and we need to ensure all material implications have been given due consideration. We appreciate the argument that optionality is important since the needs of the financial statement users can vary significantly from one private company to another. Further, we appreciate the importance in permitting optionality due to concerns with requiring a private company to make an initial commitment to apply all future differences permitted under the framework without knowing the nature or volume of the differences that FASB and the PCC may ultimately provide.

Effective Dates

We believe private companies, including credit unions, should be provided an 18-month deferral beyond the first annual period required for public companies to adopt new guidance. Such an approach will help to relieve the regulatory burden on credit unions and other private companies, which have been struggling to keep up with recent and continuing regulatory pressures. In addition, we believe FASB should provide private companies with the option to adopt the amendments before the deferred effective date, if they choose.

Definition of a Nonpublic/Private Entity

We understand the proposed framework does not define a nonpublic or private entity, and that FASB plans to propose such a definition in a future request for comment. However, for purposes of determining the scope of exceptions recommended by the PCC, we urge FASB to retain its tentative decision to include financial institutions within the definition of a private company.

Further, FASB has tentatively decided that a financial institution could be considered within the definition of a private company, but could be excluded from the scope of specific exceptions if FASB determines that those differences may adversely affect the relevance of information provided to financial statement users. Again, while we understand the definition will be addressed in a subsequent request for comment, we would like to ensure FASB's actions reflect the vast differences between credit unions and other financial institutions—as described above—when drafting its proposal.

Thank you for the opportunity to express our views on the FASB's proposed *Private Company Decision-Making Framework*. If you have any questions about our comments, please do not hesitate to give Senior Vice President and Deputy General Counsel Mary Mitchell Dunn or me a call at (202) 508-6743.

Sincerely,

A handwritten signature in cursive script that reads "Luke Martone". The signature is written in black ink and is positioned above the typed name and title.

Luke Martone
Assistant General Counsel