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February 10, 2015

Mr. Russ Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-05116

Re: File Reference No. 2012-260: Proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Subtopic 825-15)* (the "Proposal")

Dear Mr. Golden:

The Clearing House Association L.L.C. ("The Clearing House"),[1] an association of major commercial banks, is aware that the Financial Accounting Standards Board (the "FASB" or the "Board") apparently is currently redeliberating certain aspects of the above-referenced Proposal. In particular, we understand that the FASB staff is currently considering certain additional disclosure requirements. Specifically, the FASB staff is considering, as an alternative to the amortized cost roll forward tables, certain additional disclosure tables that would require entities to disclose the credit quality indicators for each class of financial asset ***by vintage***.

[1] Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world's largest commercial banks, which collectively hold more than half of all U.S. deposits and which employ over one million people in the United States and more than two million people worldwide. The Clearing House Association L.L.C. is a nonpartisan advocacy organization that represents the interests of its owner banks by developing and promoting policies to support a safe, sound and competitive banking system that serves customers and communities. Its affiliate, The Clearing House Payments Company L.L.C., which is regulated as a systemically important financial market utility, owns and operates payments technology infrastructure that provides safe and efficient payment, clearing and settlement services to financial institutions, and leads innovation and thought leadership activities for the next generation of payments. It clears almost $2 trillion each day, representing nearly half of all automated clearing house, funds transfer and check-image payments made in the United States. *See* The Clearing House's web page at www.theclearinghouse.org.

The Clearing House Association L.L.C. : 450 West 33rd Street : New York, NY 10001
Phone 212.613.0100 : Fax 212.613.0184 : www.theclearinghouse.org

We would like to take this opportunity to inform the Board that it is our understanding that this type of "vintage analysis" is generally not used by financial institutions to manage credit risk. We understand that U.S. banking regulators generally do not permit the use of vintage-based models to estimate credit losses for stress testing or regulatory capital purposes and instead require the use of more sophisticated modeling techniques. Accordingly, in an effort to rationalize the suite of models used to calculate expected credit losses and ultimately, derive better credit loss estimates, many institutions have transitioned away from vintage-based models. Moreover, regulators and credit risk managers believe that underlying credit characteristics, i.e., FICO, LTV, and internal risk ratings, as well as changes in underwriting standards as of the reporting date, are the most relevant measures of credit quality rather than the date of loan origination. As a result, management has identified the most relevant credit quality measures to monitor changes in credit risk and determine the appropriate allowance and includes these measures in its disclosures today. Furthermore, vintage information for certain types of commercial loans, such as commercial and industrial loans, is of questionable utility, given the short-term contractual tenor and expectation of renewal of these instruments. Lastly, and perhaps most fundamentally, vintage analysis is not required by the Current Expected Credit Loss ("CECL") approach; requiring such an analysis would therefore potentially require financial institutions to calculate the provision for loan losses two ways.

Given the fact that information regarding the vintage of a financial asset is not used for internal risk management purposes or for purposes of determining the loan loss provision, we believe it would be potentially misleading to disclose this type of information in the financial statements, as it might suggest to users of financial statements that vintage analysis is a primary factor considered in the risk management processes when in fact it is not. It could also be misleading if users rely on vintage information to assess the current credit risk of the portfolio based on their assumptions of the underwriting quality of a loan portfolio at the time of origination. In addition, we are concerned that analysts will request management to reconcile such vintage information to the loan loss provision and allowance, which will be difficult, if not impossible, for financial institutions to do, as vintage information is currently not utilized for such purposes. Finally, we are concerned that requiring vintage analysis will add a significant amount of additional disclosures to already very robust credit quality disclosures, without a corresponding increase in the relevance and usefulness of the disclosures. We therefore do not see how the benefits of such a requirement would exceed the costs.

Accordingly, we strongly recommend that the FASB consider alternatives to this approach, such as potentially enhancing existing credit quality disclosures with more detailed and granular disclosures around the measures management has determined are most relevant, including, where appropriate, requiring additional disclosures of certain higher-risk loan portfolios. Alternatives considered should also be consistent with the Board's Disclosure Framework project. To this end, we respectfully request a meeting with the Board, to be attended jointly by bank credit risk management representatives and users, so that we could discuss the types of information that credit analysts do find useful in analyzing a financial institution's credit risk profile, and explore which alternative disclosures might be most decision-useful to investors.

In the meantime, if you have any questions, please contact me at (212) 613-9883 (email: david.wagner@theclearinghouse.org) or Ryan Pozin at (212) 613-0135 (email: ryan.pozin@theclearinghouse.org).

Sincerely yours,

David Wagner
Executive Managing Director and
Head of Finance, Risk and Audit Affairs
The Clearing House Association L.L.C.

cc: Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board

Mr. James Schnurr
Chief Accountant
Office of Chief Accountant
Securities and Exchange Commission

Mr. Jeffrey Geer
Chief Financial Officer
Comptroller of the Currency

Mr. Robert Storch
Chief Accountant
Federal Deposit Insurance Corporation

Mr. Steven Merriett
Deputy Associate Director and Chief Accountant
Federal Reserve Board

Mr. Ryan Pozin
Vice President
The Clearing House Association L.L.C.