FDIC
Federal Deposit Insurance Corporation
3501 Fairfax Drive, Arlington, VA 22226-3500
Division of Finance

August 9, 2013

Ms. Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mail Stop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

Dear Ms. Payne:

The Federal Deposit Insurance Corporation (FDIC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) that sets forth the proposed Statement of Federal Financial Accounting Standards (SFFAS), *Reporting Entity*. We commend the FASAB's efforts to bring more transparency and accountability to the Federal government's financial and performance reporting. The ED seeks to improve transparency and completeness of the Federal reporting entity by considering a broader definition of which organizational entities should be included given their relationship to the Federal government. Two proposals in the ED, however, are of particular interest to the FDIC and merit comment. Accordingly, the FDIC responds to the ED's questions 5 and 12a.

Question No. 5: Consolidation without conversion of FASB-based information to FASAB-based information

The ED's paragraph 66 proposes that consolidation entities should consolidate component or sub-component entities that prepare financial statements pursuant to the Financial Accounting Standards Board (FASB) without conversion for any differences in accounting policies among the organizations. Paragraph 66 also proposes that any component entity that publishes financial reports pursuant to the FASB "should disclose intragovernmental amounts measured in accordance with [F]ederal financial accounting standards to facilitate elimination entries in preparation of the government-wide financial statements." The FDIC agrees that FASB statements should not require conversion to FASAB. However, we do not support the disclosure of intragovernmental amounts measured in accordance with FASAB in FASB-based financial statements. Doing so may cause confusion because the information is not relevant to our main constituency, which includes banks, thrifts, and the financial industry in general. Furthermore, disclosing this information would be duplicative, and hence not cost beneficial because we already provide it to the constituency to which it is relevant and needed; that is, the U.S. Treasury.

On a related note, we found the proposal confusing on this point because it does not specify where the disclosure would be made nor does it specify the intragovernmental amounts that would facilitate elimination entries for preparing the government-wide financial statements. As a result, we interpreted the ED to mean that the FASAB-based, intragovernmental disclosure would be required in our calendar-year, FASB-based statements. Intragovernmental elimination amounts are already addressed in the compilation procedures of the Treasury Financial Manual (TFM) Volume I, Part 2, Chapter 4700, *Agency Financial Reporting Requirements for the Financial Report of the U.S. Government* (see Appendices 6 through 10). The TFM is used to provide this information to the U.S. Treasury via the Governmentwide Financial Report System (or GFRS) that agencies use to prepare the *Financial Report of the U.S. Government*. As such, we believe this practice should continue as it appears to provide the Treasury the information it needs. Again, we believe the proposal is duplicative because we already provide this information to the Treasury and, if required to be disclosed in our calendar-year FASB statements, it would not be relevant to our statements and would likely cause confusion to the users of the FDIC financial statements.

Question No. 12a: Inclusion of Receiverships/Conservatorships as Disclosure Organizations

The FDIC does not believe FDIC-established receivership and conservatorship entities should be equated with other disclosure organizations for government-wide reporting and disclosure purposes. It is our belief that receiverships and conservatorships do not meet the definition of disclosure organizations. These entities are self-funded without reliance on taxpayer dollars and are governed by separate statutory roles and responsibilities. In addition, the FDIC is already a consolidating entity with the Federal government and we submit our financial information for inclusion in the Federal government's September 30 financial statements. The impact on the FDIC from failed financial institutions is captured in the Deposit Insurance Fund's net assets presented on its balance sheet as Receivables from Resolutions, Net. For the Federal government's consolidated financial statements, the relevant financial effects of receiverships administered by the FDIC are already captured and presented in its Other Assets.

Generally, we believe that the inclusion of such entities as disclosure organizations would be misleading to the users of the government-wide financial statements because these are not Federal assets or liabilities (i.e., the Federal government has no claim on these entities beyond what is consolidated in the financial statement of the Deposit Insurance Fund's Net Receivable). Receiverships are administered by the FDIC under unique statutory parameters in the Federal Deposit Insurance Act. These receiverships are not owned or controlled by the Federal government, as such, but are subject to the oversight of the FDIC, as receiver, for a particular failed institution and have statutory responsibilities to the creditors of that entity, including the FDIC. Conservatorships represent a transitional phase of the resolution process, which may result in a final receivership in liquidation. The FDIC, in its corporate capacity, as administrator of the Deposit Insurance Fund, is a creditor in all receiverships, when established, and that creditor relationship is recognized as a net receivable in the Fund's financial statements. All required disclosures concerning the effects of receiverships and conservatorships on the FDIC are appropriately contained in the Fund's financial statement notes.

Again, we appreciate the opportunity to respond to the ED and thank you very much for your consideration of the FDIC's views.

Sincerely,

K.J Hughes

Karen J. Hughes
Deputy Director/Controller
Federal Deposit Insurance Corporation