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Under the proposal, (1) all entities would disclose information about their liquidity risk and (2) "financial institutions" would also disclose information about their interest rate risk.

Risky Business

FASB Issues Proposed Requirements for Disclosing Liquidity and Interest Rate Risk

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Last week, the FASB issued a proposed ASU[1] that would amend ASC 825[2] and require reporting entities to provide new qualitative and quantitative disclosures about liquidity and interest rate risk. Under the proposal, (1) all entities would disclose information about their liquidity risk and (2) "financial institutions" would also disclose information about their interest rate risk. Public entities would provide the proposed disclosures for interim and annual periods; however, nonpublic entities would only be required to do so for annual periods. Appendix A summarizes the proposal's tabular requirements.

The proposed ASU does not contain an effective date; however, the FASB intends to establish one during future redeliberations. Comments on the proposal must be submitted to the FASB by September 25, 2012.

The proposed ASU addresses stakeholder concerns that (1) certain inherent risks of financial instruments and their effect on an entity's broader risk exposures would not be fully reflected in the measurement model for such instruments and (2) the breadth of such risks could only be communicated through supplemental disclosure.

Definition of a Financial Institution

Under the proposed ASU, the disclosures an entity must provide are determined by whether the entity is a "financial institution." ASC 825-10-50-23A notes that under the proposed disclosures, financial institutions[3] are:

> [E]ntities or reportable segments for which the primary business activity is to do either of the following:
>
> a. Earn, as a primary source of income, the difference between interest income generated by earning assets and interest paid on borrowed funds
>
> b. Provide insurance.

[1] FASB Proposed Accounting Standards Update, *Disclosures About Liquidity Risk and Interest Rate Risk*.

[2] For titles of *FASB Accounting Standards Codification* (ASC) references, see Deloitte's "Titles of Topics and Subtopics in the *FASB Accounting Standards Codification*."

[3] The definition of a financial institution proposed in ASC 825 differs from its ASC 942-320-50-1 counterpart, which specifically states that banks, savings and loan associations, savings banks, credit unions, finance companies, and insurance entities are financial institutions. This difference may be addressed in redeliberations.

Entities that measure substantially all of their assets at fair value with changes in fair value recognized in net income (FV-NI), such as broker-dealers, would provide only those disclosures required for entities that are not financial institutions. The disclosure requirements for financial institutions apply to any reportable segment that is a financial institution; therefore, although a consolidated entity that is not a financial institution would not provide all disclosures that apply to financial institutions at the consolidated level, it would still do so at the segment level for any reportable segments that are financial institutions. An entity that has more than one reportable segment that is a financial institution may provide combined disclosures for those segments.

Disclosures About Liquidity Risk

The types of liquidity risk disclosures an entity must provide depend on whether it (or any of its reportable segments) is a financial institution.

Disclosure Requirements for Financial institutions

Financial institutions must provide a tabular **liquidity gap maturity analysis** that discloses carrying amounts of the various classes of financial assets and financial liabilities (including leases and insurance contracts) categorized into specified time intervals by the *expected maturities* of these instruments (see Table 1 in Appendix B). The liquidity gap maturity analysis is intended to help users understand an entity's liquidity position by showing how the expected timing of its cash inflows from financial assets compares to the expected timing of its financial liability cash outflows. Regarding "expected maturities," ASC 825-10-50-23E states, in part:

> The term *expected maturity* relates to the expected settlement of the instrument resulting from contractual terms (for example, call dates, put dates, maturity dates, and prepayment expectations), rather than the entity's expected timing of the sale or transfer of the instrument.

The liquidity gap maturity analysis is intended to help users understand an entity's liquidity position by showing how the expected timing of its cash inflows from financial assets compares to the expected timing of its financial liability cash outflows.

Entities would not allocate financial instruments classified as FV-NI (except derivatives) or equity securities classified as fair value through other comprehensive income into specific time intervals. Instead, they would disclose the instruments' total carrying amount. In addition, entities would be required to disclose off-balance-sheet commitments and obligations (e.g., loan commitments, operating lease commitments, and lines of credit).

Editor's Note: There may be differences in how entities determine the expected maturity classifications for financial assets and financial liabilities that have stated contractual maturities but incorporate other contractual characteristics (e.g., prepayments on certain home loans, or early termination rights on a lease contract). To address these potential differences, the proposal requires an entity to describe, in the narrative that accompanies the liquidity gap maturity analysis, the significant assumptions used in determining the expected maturity of a financial asset or liability if the expected maturity differs significantly from the contractual maturity. Examples of these assumptions may include (but are not limited to) prepayment rates affecting loan cash flows, and run-off rates for demand deposits. The illustration in ASC 825-10-55-5A lists other contractual features that may be relevant to the determination of expected maturities.

A depository institution (i.e., an entity that issues and holds deposits) also would disclose the cost of its funding by providing tabular disclosure of (1) the amounts of insured and uninsured time deposits issued, and brokered deposits acquired, during each of the last four quarters and (2) the weighted-average contractual yield and weighted-average contractual life for the deposits issued or acquired during each of the last four quarters. (See Table 2 in Appendix B.)

Disclosure Requirements for Entities Other Than Financial Institutions

Reporting entities that are not financial institutions would not have to include a liquidity gap maturity analysis. However, such entities would need to disclose, in tabular format, all undiscounted **expected financial cash flow obligations**, including off-balance-sheet arrangements, for specified time intervals. The table also should include a column that reconciles amounts shown in the table to the carrying amounts presented in the statement of financial position. Further, entities would be required to disclose (1) any "significant changes related to the timing and amounts of cash flow obligations and available liquid funds in the tabular disclosures from the last reporting period to the current reporting period, including the reasons for the changes and actions taken, if any, during the current period to manage the exposure related to those changes"; and (2) significant assumptions underlying the entity's estimates of the expected timing of its cash flow obligations if the expected timing differs significantly from the contractual maturities of those obligations. See Table 3 in Appendix B for an example.

Disclosure Requirements for All Entities

All reporting entities would disclose, in a tabular format by asset class, their **available liquid funds**, which include unencumbered cash and liquid assets (i.e., assets that are of high quality,[4] free from restrictions, and readily convertible to cash) and additional borrowing capability, such as available lines of credit and the amount below the borrowing cap (see Table 4 in Appendix B).

Entities would be required to supplement this disclosure with (1) a qualitative discussion of the impacts of regulatory, tax, legal, repatriation, and other restrictions that could limit the transferability of funds among entities; (2) quantitative disclosure of any restricted funds; and (3) a discussion of the characteristics the entity analyzed when making its determination of what assets are considered "high quality" and whether those characteristics differ from those used in previous periods.

All financial institutions would disclose a repricing gap analysis in a tabular format that would show how the carrying amounts of different classes of their financial assets and financial liabilities reprice over specified time intervals.

Disclosures About Interest Rate Risk (Financial Institutions Only)

Under the proposal, all financial institutions would disclose a **repricing gap analysis** in a tabular format that would show how the carrying amounts of different classes of their financial assets and financial liabilities reprice[5] over specified time intervals. The tabular disclosure also would include (1) the weighted-average contractual yield of each class for each time interval and a total yield for each class and (2) the total duration[6] of each class of financial assets and financial liabilities. The tabular disclosure should reconcile to the statement of financial position and should be supplemented with a discussion of how instrument durations were estimated. See Table 5 in Appendix B for an example of the repricing gap analysis.

A financial institution would also provide certain **interest rate sensitivity** disclosures about the effects on the entity's net income (for the 12 months after the reporting date) and shareholders' equity of hypothetical, instantaneous interest rate shifts on the entity's interest-sensitive financial assets and liabilities. Scenarios would include 100 and 200 basis point[7] parallel shifts (i.e., adjusting the entire yield curve by the same percentage), as well as flattening and steepening scenarios (i.e., holding one end of the yield curve constant, and adjusting the opposite end up or down by 100 basis points). Entities should compute changes in net income and shareholders' equity by using the same measurement attributes (e.g., FV-NI, amortized cost) they used in the statement of financial position. The scenarios would not take into account growth rates, changes in asset mix, or other shifts in business strategy that would otherwise result from these interest rate changes. See Table 6 in Appendix B for an example.

[4] High quality refers to the level of nonperformance risk associated with fixed income financial instruments. Assessing that risk and determining what constitutes high quality requires a reporting entity to exercise judgment (see ASC 825-10-50-23V).

[5] The repricing date is defined as the earlier of (1) the contractual interest rate reset date or (2) contractual maturity.

[6] The proposed ASU does not specify what method an entity must use to estimate duration, but it requires that the method be disclosed and applied consistently across reporting periods.

[7] One basis point is one one-hundredth of one percent (i.e., a 100 basis point shift is the same as a 1 percent shift).

Editor's Note: SEC regulations already require certain public companies to disclose information about liquidity risk and interest rate risk as part of their MD&A. However, the Board has proposed requiring similar disclosure in U.S. GAAP because it believes there are benefits to be derived from audited, more standardized and comparable disclosures, which are complementary to those found today in MD&A of public entities.

Throughout the project, the Board has stated that its goal has been to ensure that investors have "meaningful incremental information" beyond that provided in MD&A. The proposal's Basis for Conclusions highlights key differences between the proposed disclosures and existing regulatory requirements. One notable difference is the requirement for entities to use expected maturities of financial liabilities in the liquidity gap maturity analysis, rather than contractual maturities (as required by MD&A rules). The time intervals specified under the proposed disclosures are also more granular than those under current MD&A requirements.

In addition, many of the disclosure requirements under the proposed ASU are similar to those under IFRSs; however, there are some notable differences. Appendix C contains a comparison of the requirements under the proposed ASU and IFRSs.

In addition to establishing quantitative disclosure requirements (i.e., tabular disclosures), the proposed ASU emphasizes the importance of discussions that supplement the tabular disclosures.

Supplemental Disclosures

In addition to establishing quantitative disclosure requirements (i.e., tabular disclosures), the proposed ASU emphasizes the importance of discussions that supplement the tabular disclosures. The proposed ASU notes that for each of the broad risk areas (i.e., liquidity risk and interest rate risk), the reporting entity must provide "any additional quantitative and narrative disclosures necessary to provide users of financial statements with an understanding of its exposure to" the various risks included in the proposal's scope.

Effective Date and Transition

The proposed ASU does not include an effective date and specifically asks respondents (1) how much time they think stakeholders would need to prepare for and implement the proposed amendments and (2) whether the effective date should be delayed for nonpublic entities.

Editor's Note: During deliberations and in the proposal's Questions for Respondents, the Board noted that the 90-day comment period is intended, in part, to "address the needs of users of financial statements for more information about liquidity risk and interest rate risk. Therefore, the Board will strive to make these proposed amendments effective on a timely basis."

To help ease potential transition burdens, the Board has proposed that entities provide comparative disclosures for each reporting period ending after initial adoption. In other words, in the first period of adoption, entities would not provide comparative disclosures, and in subsequent periods, they would provide comparative disclosures only for those reporting periods that ended after the adoption date.

Appendix A — Summary of Tabular Disclosures

The table below summarizes the tabular disclosures outlined in the proposed ASU and indicates whether they are required for financial institutions or nonfinancial institutions. In all circumstances, the required disclosures are for interim and annual periods for *public* reporting entities. For *nonpublic* reporting entities, the required disclosures are only for annual periods.

Proposed ASU's Required Disclosures	Financial Institution	Nonfinancial Institution
Liquidity Disclosures		
Liquidity Gap Maturity Analysis (Appendix B, Table 1) — ASC 825-10-50-23E through 50-23K	Yes	No
Issuance of Time Deposits (Appendix B, Table 2) — ASC 825-10-50-23L	Yes[8]	No
Cash Flow Obligations (Appendix B, Table 3) — ASC 825-10-50-23M through 50-23R	No	Yes
Available Liquid Funds (Appendix B, Table 4) — ASC 825-10-50-23S through 50-23V	Yes	Yes
Interest Rate Risk Disclosures		
Repricing Gap Analysis (Appendix B, Table 5) — ASC 825-10-50-23Y through 0-23AC	Yes	No
Interest Rate Sensitivity (Appendix B, Table 6) — ASC 825-10-50-23AD through 50-23AF	Yes	No

[8] Disclosures related to the issuance of time deposits would only be required for depository institutions (i.e., reporting entities that issue time deposits or that acquire brokered deposits).

Appendix B — Sample Disclosures

Liquidity Risk Disclosures

Table 1: Liquidity Gap Maturity Analysis

The example below was reproduced from ASC 825-10-55-5A. It "illustrates the table that a financial institution would use to disclose the liquidity gap maturity analysis as required by [ASC] 825-10-50-23E."

Liquidity Gap Maturity Analysis of a Bank's Financial Instruments

	Q1 20X2	Q2 20X2	Q3 20X2	Q4 20X2	20X3	20X4–20X6	20X7 and Later	Total Carrying Amount
As of December 31, 20X1								
Financial assets:								
Amortized cost								
Cash and due from banks	$X,XXX	$ X,XXX	$X,XXX	$ X,XXX	–	–	–	$X,XXX
Lease receivable	X,XXX	X,XXX	X,XXX	X,XXX	$X,XXX	$X,XXX	$X,XXX	X,XXX
Loans:								
Commercial	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Mortgage	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Consumer	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Fair value with changes recognized in other comprehensive income								
Investment securities:								
U.S. Treasury	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Agency MBS	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Corporate debt securities	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Other	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Fair value with changes recognized in net income								
Debt securities								X,XXX
Derivatives	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Loans held for sale								X,XXX
Equity securities								X,XXX
Other financial assets								X,XXX
Total financial assets	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Other assets								X,XXX
Total assets								$X,XXX
Financial liabilities:								
Amortized cost								
Demand deposits	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	$X,XXX
Savings deposits	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Money market accounts	X,XXX	X,XXX	X,XXX	X,XXX	–	–	–	X,XXX
Brokered deposits	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Other time deposits	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Short-term borrowings	X,XXX	X,XXX	X,XXX	X,XXX	–	–	–	X,XXX
Long-term borrowings	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
FHLB advances	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Subordinated debt	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Other borrowings	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Other financial liabilities	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Fair value with changes recognized in net income								
Derivatives	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Total financial liabilities	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Other liabilities								X,XXX
Equity								X,XXX
Total liabilities and stockholders' equity								$X,XXX
Excess/deficit of financial assets over financial liabilities	$X,XXX	$(X,XXX)	$(X,XXX)	$(X,XXX)	$X,XXX	$(X,XXX)	$X,XXX	$X,XXX
Financial assets to financial liabilities	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%
Cumulative financial assets over financial liabilities	$X,XXX	$(X,XXX)	$(X,XXX)	$(X,XXX)	$X,XXX	$X,XXX	$X,XXX	$X,XXX
Off-balance-sheet commitments and obligations	$X,XXX	$ X,XXX	$X,XXX	$ X,XXX	$X,XXX	$X,XXX	$X,XXX	–

Note: The classes of financial instruments in this table are organized by examples of subsequent measurement attributes to display the application of the guidance in certain circumstances and this presentation is not meant to be prescriptive.

Table 2: Issuance of Time Deposits

The example below was reproduced from ASC 825-10-55-5F. It "illustrates the table that a depository institution would use to disclose the issuance of time deposits as required by [ASC] 825-10-50-23L."

Illustrative Bank's Deposits Issued for the 12 Months Ended December 31, 20X1
Period of Issuance for the Last 12 Months

	Q4 20X1			Q3 20X1			Q2 20X1			Q1 20X1		
	Total Amount	Avg. Rate	Avg. Life	Total Amount	Avg. Rate	Avg. Life	Total Amount	Avg. Rate	Avg. Life	Total Amount	Avg. Rate	Avg. Life
Uninsured time deposits	$X,XXX	X.XX%	X.X	$X,XXX	X.XX%	X.X	$X,XXX	X.XX%	X.X	$X,XXX	X.XX%	X.X
Insured time deposits	$X,XXX	X.XX%	X.X	$X,XXX	X.XX%	X.X	$X,XXX	X.XX%	X.X	$X,XXX	X.XX%	X.X
Brokered deposits	$X,XXX	X.XX%	X.X	$X,XXX	X.XX%	X.X	$X,XXX	X.XX%	X.X	$X,XXX	X.XX%	X.X

Table 3: Cash Flow Obligations

The example below was reproduced from ASC 825-10-55-5D. It "illustrates the cash flow obligations table of an entity that is not a financial institution as required by [ASC] 825-10-50-23M through 50-23R."

Expected Cash Flow Obligations as of December 31, 20X1

	Q1 20X2	Q2 20X2	Q3 20X2	Q4 20X2	20X3	20X4–20X6	20X7 and Later	Total	Adjustment to Carrying Amount	Total Carrying Amount
Short-term borrowings	$X,XXX	$X,XXX	$X,XXX	$X,XXX	–	–	–	$X,XXX	$(X,XXX)	$X,XXX
Long-term debt	X,XXX	X,XXX	X,XXX	X,XXX	$X,XXX	$X,XXX	$X,XXX	X,XXX	(X,XXX)	X,XXX
Interest payments	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	(X,XXX)	X,XXX
Lease payment obligations	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	(X,XXX)	X,XXX
Commitments	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	(X,XXX)	–
Purchase obligations	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	(X,XXX)	X,XXX
Contributions to defined pension plans	X,XXX	X,XXX	X,XXX	X,XXX	–	–	–	X,XXX	(X,XXX)	–
Other obligations	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	(X,XXX)	X,XXX
Derivatives	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	–	X,XXX
Total obligations	$X,XXX	$X,XXX	$X,XXX	$X,XXX	$X,XXX	$X,XXX	$ X,XXX	$X,XXX	$(X,XXX)	$X,XXX

Table 4: Available Liquid Funds

The example below was reproduced from ASC 825-10-55-5E. It "illustrates the table that an entity would use to disclose its available liquid funds as required by [ASC] 825-10-50-23S through 50-23V."

	Parent Company	Subsidiaries	Broker / Dealers
Available liquid funds:			
Cash	$X,XXX	$X,XXX	$X,XXX
Deposits (interest-bearing and non-interest-bearing)	X,XXX	X,XXX	X,XXX
Government-issued debt securities	X,XXX	X,XXX	X,XXX
Public sector debt securities	X,XXX	X,XXX	X,XXX
Availability of borrowings:			
Amount available under ABC credit facility	X,XXX	X,XXX	X,XXX
Amount available under receivables purchase agreement	X,XXX	X,XXX	X,XXX
Amount available under XYZ credit facilities	X,XXX	X,XXX	X,XXX
Total available funds	$X,XXX	$X,XXX	$ X,XXX

Interest Rate Risk Disclosures

Table 5: Repricing Gap Analysis

The example below was reproduced from ASC 825-10-55-5H. It “illustrates the repricing gap table for a bank.”

Illustrative Bank Repricing Analysis as of December 31, 20X1

	Q1 20X2	Yield	Q2 20X2	Yield	Q3 20X2	Yield	Q4 20X2	Yield	20X3	Yield	20X4–20X6	Yield	20X7 and Later	Yield	Total Carrying Amount	Yield	Duration
Interest-earning financial assets:																	
Interest-earning deposits with banks	$X,XXX	$XXX%	$X,XXX	XXX%	$X,XXX	XXX%	$X,XXX	XXX%	$X,XXX	XXX%	$X,XXX	XXX%	$X,XXX	XXX%	$X,XXX	XXX%	X.XX
Securities purchased under resale agreements	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	–	–	–	–	–	–	X,XXX	XXX%	X.XX
Investment securities:																	
U.S. Treasury	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X.XX
Agency MBS	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X.XX
Other	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X.XX
Loans held for sale	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X.XX
Commercial loans	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X.XX
Mortgage loans	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X.XX
Consumer loans	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X.XX
Total interest-earning assets	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X.XX
Non-interest-earning financial assets:																	
Equity securities															X,XXX	–	–
Derivatives	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	–
Other financial assets	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	–
Total financial assets	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	–
Other assets															X,XXX	–	–
Total assets															$X,XXX	–	–
Interest-bearing financial liabilities:																	
Demand deposits	X,XXX	XXX%	–	–	–	–	–	–	–	–	–	–	–	–	$X,XXX	XXX%	X.XX
Savings deposits	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	–	–	–	–	–	–	X,XXX	XXX%	X.XX
Money market accounts	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	–	–	–	–	–	–	X,XXX	XXX%	X.XX
Brokered deposits	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X.XX
Other time deposits	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X.XX
Short-term borrowings	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	–	–	–	–	–	–	X,XXX	XXX%	X.XX
Long-term borrowings	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X.XX
FHLB advances	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X.XX
Securities sold under repurchase agreements	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	–	–	–	–	–	–	X,XXX	XXX%	X.XX
Other borrowings	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X.XX
Total interest-earning liabilities	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X,XXX	XXX%	X.XX
Non-interest-bearing financial liabilities:																	
Derivatives	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	–
Other financial liabilities	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	–
Total financial liabilities	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	X,XXX	–	–
Other liabilities															X,XXX	–	–
Equity															X,XXX	–	–
Total liabilities and stockholders' equity															$X,XXX	–	–
Excess of financial assets over financial liabilities	$X,XXX		$X,XXX		$X,XXX		$(X,XXX)		$X,XXX		$(X,XXX)		$X,XXX		$X,XXX	–	–
Financial assets to financial liabilities	X.XX%		X.XX%		X.XX%		X.XX%		X.XX%		X.XX%		X.XX%		X.XX%	–	–
Cumulative financial assets over financial liabilities	$X,XXX		$X,XXX		$X,XXX		$(X,XXX)		$X,XXX		$X,XXX		$X,XXX		$X,XXX	–	–

Note: The classes in this table are organized by the interest "bearing" or "earning" characteristics of the financial instruments to display the application of the guidance in certain circumstances and this presentation is not meant to be prescriptive.

Table 6: Interest Rate Sensitivity

The examples below were reproduced from ASC 825-10-55-5J. They illustrate "the interest rate sensitivity table as required by [ASC] 825-10-50-23AD through 50-23AF."

Hypothetical Yield Curves, December 31, 20X1

	3-Month	6-Month	1-Year	2-Year	3-Year	5-Year	7-Year	10-Year	20-Year	30-Year
Yield curve at Dec. 31, 20X1	**1.50%**	**1.60%**	**1.70%**	**2.00%**	**2.50%**	**3.50%**	**4.40%**	**5.00%**	**5.45%**	**5.80%**
+200 bps	3.50%	3.60%	3.70%	4.00%	4.50%	5.50%	6.40%	7.00%	7.45%	7.80%
+100 bps	2.50%	2.60%	2.70%	3.00%	3.50%	4.50%	5.40%	6.00%	6.45%	6.80%
-100 bps	0.50%	0.60%	0.70%	1.00%	1.50%	2.50%	3.40%	4.00%	4.45%	4.80%
-200 bps	0.00%	0.00%	0.00%	0.00%	0.50%	1.50%	2.40%	3.00%	3.45%	3.80%
100 bp flattening of curve										
Short end	2.50%	2.60%	2.70%	3.00%	2.50%	3.50%	4.40%	5.00%	5.45%	5.80%
Long end	1.50%	1.60%	1.70%	2.00%	2.50%	3.50%	4.40%	4.00%	4.45%	4.80%
100 bp steepening of curve										
Short end	0.50%	0.60%	0.70%	1.00%	2.50%	3.50%	4.40%	5.00%	5.45%	5.80%
Long end	1.50%	1.60%	1.70%	2.00%	2.50%	3.50%	4.40%	6.00%	6.45%	6.80%

Interest Rate Sensitivity, December 31, 20X1

		Estimated Increase/(Decrease) in Net Income			Estimated Increase/(Decrease) in Shareholders' Equity	
Parallel Change in Interest Rates	**Net Income**	**Amount**	**Percent**	**Shareholders' Equity**	**Amount**	**Percent**
+200 bps	$XX,XXX	$X,XXX	X.XX%	$XX,XXX	$(X,XXX)	(X.XX)%
+100 bps	$XX,XXX	$X,XXX	X.XX%	$XX,XXX	$(X,XXX)	(X.XX)%
Yield curve at Dec. 31, 20X1	$XX,XXX	—	—	$XX,XXX	—	—
-100 bps	$XX,XXX	$(X,XXX)	(X.XX)%	$XX,XXX	$X,XXX	XXX%
-200 bps	$XX,XXX	$(X,XXX)	(X.XX)%	$XX,XXX	$X,XXX	XXX%
100 bp flattening of curve						
Short end	$XX,XXX	$X,XXX	X.XX%	$XX,XXX	$(X,XXX)	(X.XX)%
Long end	$XX,XXX	$(X,XXX)	(X.XX)%	$XX,XXX	$X,XXX	X.XX%
100 bp steepening of curve						
Short end	$XX,XXX	$(X,XXX)	(X.XX)%	$XX,XXX	$X,XXX	X.XX%
Long end	$XX,XXX	$X,XXX	X.XX%	$XX,XXX	$(X,XXX)	(X.XX)%

Appendix C — Comparison of Requirements Under the Proposed ASU and IFRSs

The proposed ASU has many similarities to the risk disclosure requirements under IFRSs; however, there are some notable differences. The table below compares the disclosures required under the proposed ASU to those required under IFRSs.

IFRS 7[9] currently requires entities that prepare their financial statements in accordance with IFRSs to disclose the "nature and extent of risks arising from financial instruments." Required information includes (1) qualitative disclosures about (a) risk exposures for each type of financial instrument; (b) management's objectives, policies, and processes for managing those risks; and (c) changes from the prior period and (2) quantitative disclosures about credit risk, liquidity risk, and market risk.

Proposed ASU's Required Disclosures	Comparison to IFRSs
Liquidity Disclosures	
Liquidity Gap Maturity Analysis (Appendix B, Table 1) — ASC 825-10-50-23E through 50-23K	"IFRS 7 requires that all entities [not just financial institutions] disclose a maturity analysis of their nonderivative and derivative financial liabilities segregated by time intervals based on the earliest period in which a reporting entity could be required to pay the liability" (not expected maturity). It does not require liquidity disclosure for assets. IFRS 7 allows an entity to use its own judgment to determine the appropriate time intervals, as opposed to those intervals being prescribed as in the proposed ASU.
Issuance of Time Deposits (Appendix B, Table 2) — ASC 825-10-50-23L	Not required under IFRSs.
Cash Flow Obligations (Appendix B, Table 3) — ASC 825-10-50-23M through 50-23R	The maturity analysis in IFRS 7 is similar to the liquidity risk disclosures that would be required by the proposed ASU (for nonfinancial institutions). The same time interval difference noted in the liquidity gap maturity analysis would apply.
Available Liquid Funds (Appendix B, Table 4) — ASC 825-10-50-23S through 50-23V	Not required under IFRSs.
Interest Rate Risk Disclosures	
Repricing Gap Analysis (Appendix B, Table 5) — ASC 825-10-50-23Y through 50-23AC	Not required under IFRSs.
Interest Rate Sensitivity (Appendix B, Table 6) — ASC 825-10-50-23AD through 50-23AF	Under IFRS 7, an entity (not just a financial institution) must disclose (1) a sensitivity analysis for each type of market risk (e.g., interest rate risk) to which it is exposed at the end of a reporting period and (2) the impact of reasonably possible changes in the relevant risk variable (e.g., the interest rate) on profit or loss and equity. Unlike IFRS 7, in which the amounts by which interest rates change in the analysis are based on an entity's judgment, the proposed ASU would prescribe the amounts by which interest rates change when performing the sensitivity analysis. IFRS 7 also permits entities to substitute alternative sensitivity analyses (such as value-at-risk) in certain circumstances. The proposed ASU does not provide this option.

[9] IFRS 7, *Financial Instruments: Disclosures.*

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