



August 24, 2009

Mr. Russell Golden  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Re: File Reference No. 1700-100, Proposed Statement of Financial Accounting Standards, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*

Dear Mr. Golden:

UnionBanCal Corporation is a financial holding company and commercial bank holding company whose major subsidiary, Union Bank, N.A., is a commercial bank with approximately \$74 billion in assets. UnionBanCal Corporation and its subsidiaries (the Company) provide a wide range of financial services to consumers, small businesses, middle-market companies and major corporations, primarily in California, Oregon, and Washington, as well as nationally and internationally. The Company is a wholly owned subsidiary of The Bank of Tokyo-Mitsubishi UFJ, Ltd., but files stand-alone financial statements with the SEC on a voluntary basis in accordance with generally accepted accounting principles of the U.S.

We appreciate the opportunity to comment on the Exposure Draft of the Proposed Statement of Financial Accounting Standards, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, (ED). Generally, we support the Board's endeavor to provide more information to users of financial statements regarding credit quality and the allowance for credit losses. However, we have serious reservations about the significant increase in detailed information that would be required under the ED with the short amount of time that companies would be given to prepare those disclosures. We also have concerns about the limited benefits that would be received for the significant amount of effort that would be required if the Board finalizes its proposal to require all financial instruments to be recorded at fair value. Lastly, we have concerns that some of the requirements would result in the disclosure of information that we deem proprietary in nature. Our comments and concerns are explained further below.

### *Issue 8*

The ED proposes that the final Statement would be effective for the first interim or annual reporting period ending after December 15, 2009. For calendar year companies, that would be for the fourth quarter of 2009. The final Statement is not likely to be issued until end of September at the earliest. Consequently, companies would have only a few months to make the necessary system, reporting, operational, and control changes to support the expanded disclosure requirements.

While many banks employ a “bottoms up” approach to assess their exposure to credit risk and losses, many banks also apply a “top down” approach to ensure that the allowance for credit losses is appropriate on an aggregate level for the entire loan portfolio. As a result, the level of precision for each portfolio segment and class of loan may be less than would be necessary for disclosure in the financial statements. In order to prepare the required disclosures at such disaggregated levels, additional rigor and disclosure controls would need to be put into place to ensure the accuracy and usefulness of the information for each portfolio segment and class of loan. Enhancements to existing systems and processes would be necessary as well as to the review process for that expanded information.

We believe that to adequately prepare for such expanded disclosures in a thoughtful and efficient manner would require a minimum of 6-12 months, especially given limited resources available due to accounting and disclosure requirements that are already pending (e.g., FASB Statement Nos. 166 and 167/Accounting Standards Codification Nos. 860 and 810, and updating policies and disclosures for the FASB Codification).

### *Cost vs. Benefit*

As noted above, the proposed expanded disclosures on a disaggregated basis would require significant time and effort to prepare. Recently, the Board reached a tentative conclusion to issue another exposure draft, which would propose that all financial instruments (including loans held for investment) be recorded at fair value. If that proposal is adopted and becomes effective in the near future (e.g., 2011), many of the disclosures required by the ED no longer would be relevant, as there would be no allowance for credit losses remaining. Furthermore, the manner in which credit reserves are determined would change, as they would be measured under a fair value approach rather than the methods prescribed by FASB Accounting Standards Codification (ASC) Nos. 310-10-35 and 450-20. Consequently, we are concerned that the benefits from the ED would be short-lived for such significant cost and effort. If the Board plans to consider requiring fair value accounting for loans in the near future, we believe that the ED should

be delayed to avoid a situation in which the effort and costs outweigh the short-term benefits.

#### *Issue 4*

The ED would require disclosure about credit quality by class of financing receivable. Such information would include consumer credit scores, internal credit risk grades, loan-to-value ratios, collateral value, collection experience, and other internal metrics. We have concerns that a significant portion of such information would be deemed proprietary. If disclosed, we believe it could place us at a competitive disadvantage.

The manner in which we evaluate and measure credit risk is a key component of the interest rate charged on loans to borrowers. Disclosure of internal credit ratings and metrics and how we evaluate other credit related information to assess credit risk could provide our competitors with insights into our pricing strategy. Currently, we believe that we have a competitive advantage due to the manner in which we evaluate credit risk. We believe that it would be unreasonable to require us to disclose information that could adversely impact our competitive advantage.

#### *Issue 3*

The ED would require a rollforward schedule of activity for financing receivables by portfolio segment for each reporting period. We believe that providing such information would be an onerous task that likely would require significant system, disclosure control, review, and process enhancements. Meanwhile, we do not believe that such information would be that helpful to users of the financial statements in understanding the credit quality of the loan portfolio or the adequacy of the allowance for credit losses. The fact that a loan might be originated, purchased, repaid, or sold during the period adds no significant insights to the credit risk related to, or the losses incurred in, the loan portfolio. Furthermore, the adequacy of the allowance represents a spot estimate for the loan portfolio at the end of the reporting period. The activity giving rise to the ending loan balance does not provide any important insights as to how the adequacy of the allowance was determined. We also believe that if there was a significant change in the loan portfolio (e.g., liquidation or purchase), such an event and its impact on the allowance for loan losses would be disclosed already under existing requirements. Therefore, for such significant effort, we believe that the costs of such a rollforward schedule far outweigh the benefits.

### *Summary*

While we support the notion of enhanced disclosures related to credit quality and the allowance for credit losses, we are concerned about insufficient preparation time under the ED. We also believe that the Board should consider deferring these disclosures until it determines if and when fair value accounting will be required for all financial instruments, as the costs of implementing the ED would far outweigh the benefits if fair value accounting is required in the near future. Finally, we believe that it is unreasonable to require companies to disclose information regarding how it evaluates credit risk that is deemed proprietary and would result in a competitive disadvantage.

We appreciate your consideration of our comments. If you have any questions or would like to discuss any of our comments further, please contact me at [larry.gee@unionbank.com](mailto:larry.gee@unionbank.com)/415-765-2274.

Very truly yours,

Lawrence Gee  
Senior Vice President and  
Manager of Accounting Policy