

From: [Peter Putnam](#)
To: [Director - FASB](#)
Subject: File Reference No. 2012-260 - Comments on Financial Instruments-Credit Losses (Subtopic 825-15)
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There are many reasons to oppose the above referenced exposure draft. One reason is that the rule will likely require immediate increases to the Allowance for Loan and Lease Losses, thus depleting capital at a time when financial institutions are beginning to rebuild capital, commensurately expand their lending activities, and contribute to the nascent economic recovery. This reason alone would not be sufficient to oppose this exposure draft. My main objection is that it violates a key precept of Accounting, the Matching Principle.

The Matching Principle, one of the cornerstones of accrual accounting, states that expenses should be recorded in the same period as the revenues that relate to those expenses. I believe that this exposure draft, by requiring expected future loan losses to be recorded immediately, violates this principle. This occurs because the interest income from the loan portfolio will be recognized over the life of the portfolio, while the credit losses will be recognized immediately. As a corollary to this, the exposure draft also violates another basic tenet of accrual accounting, that expenses be recorded when incurred. Recording a provision for loan and lease losses today for losses that may or may not occur in the future, is recording an expense that has not been incurred, and is not proper.

Thank you for providing me the opportunity to comment on your proposed accounting standard.

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