**FASB WILL TAKE ANOTHER LOOK AT REPO ACCOUNTING**

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The FASB announced yesterday that it will take a look at repo accounting. Again. As we don’t expect much improvement, we wonder why it bothers.

[Michael Rapoport of *The Wall Street Journal*](http://online.wsj.com/article/SB10001424052702303812904577295870585862552.html?mod=googlenews_wsj) reports, “The Financial Accounting Standards Board agreed Wednesday to look at further revisions to how companies must account for their use of repurchase agreements, or ‘repos,’ a form of financing for securities-trading firms, following a previous revision last year. In particular, the board will look at ‘repos to maturity,’ a potentially risky variant that contributed to MF Global's collapse last year.”

The Lehman Brothers collapse led to some small, insignificant changes in the repo rules. With the [collapse of MF Global](http://blogs.smeal.psu.edu/grumpyoldaccountants/archives/375), the board thinks it desirable to consider some incremental but insignificant amendments. As last year’s revision was impotent, we expect more of the same from any revision this year.

What the board should have done a decade or two ago was to focus on the economic substance of the transaction, and the substance of a repurchase agreement is that it is a secured borrowing.  Pure and simple. Thus, all repurchase agreements should be accounted for as secured borrowings.

The FASB’s statement yesterday says more about it than it does repo accounting. The board is incredibly slow and, with old age, is slowing down even further. The board is reactive instead of proactive; apparently, it cannot think about an issue unless there is some type of financial crisis. The board cannot think simple; instead, it seems to complexify whatever issue is at hand. Finally, the board seems beholden to banks and has been for some time. It appears to carry water for bankers, whether the topic is special purpose entities, derivatives, fair value accounting, or repurchase agreements.

Forget reforming repo accounting. Let’s reform FASB instead.

*This essay reflects the opinion of the authors and not necessarily the opinions of The Pennsylvania State University, The American College, or Villanova University.*