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Technical Director
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FASB
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Norwalk, CT 06856-5116
Via email to director@fasb.org

Kia Ora Technical Director:

Thank you for considering this comment on Proposed Accounting Standard “Financial Instruments-Credit Losses (Subtopic 825-15).

I am a member of the California CPA Society and Ngā Kaitatau Māori o Aotearoa, and a Fellow of the New Zealand Institute of Chartered Accountants.

In view of the cross border trading of financial instruments it is highly desirable that the IASB and your august body work together on a unified approach to this controversial topic. I appreciate that the IASB has lagged behind you on the release of their ED but it may benefit the wider stakeholder and investment communities if the FASB took the initiative and delayed further consideration until the IASB closure date with an imperative of working on a convergent solution.

I suggest that one solution worthy of consideration may be to line up the impairment of credit related securities to the related underlying collateral. The proposal as it stands seems rather obtuse and prone to subjective opinions especially about estimating future losses.

I recommend that impairments be charged to a “contra-equity” account in order to facilitate retroactive adjustments in light of experience and the passing of time. This would avoid the over or understatement of Net Income due to the likely inappropriate treatment of the impairments arising from the risk of guessing about the future.

This approach has the desirable characteristic of ‘showing it as it is’ and allowing retroactive adjustments other than in the Income Statement.

I draw you attention to the prescience of the Basel Committee on Banking Supervision “...to achieve a single set of high-quality global accounting standards” on this controversial topic.

Yours truly,

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