

December 19, 2013

Ms. Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

By e-mail: director@fasb.org

Re: Proposed Accounting Standards Update—*Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity* (a consensus of the FASB Emerging Issues Task Force)

File Reference No. EITF 13-G

Dear Ms. Cospers:

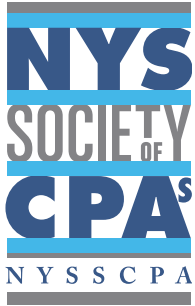
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 29,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Robert M. Rollmann, Chair of the Financial Accounting Standards Committee at (914) 421-5605, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

J. Michael Kirkland
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**PROPOSED ACCOUNTING STANDARDS UPDATE—*DERIVATIVES AND HEDGING*
(*TOPIC 815*): *DETERMINING WHETHER THE HOST CONTRACT IN A HYBRID*
FINANCIAL INSTRUMENT ISSUED IN THE FORM OF A SHARE IS MORE AKIN TO
*DEBT OR TO EQUITY***

(A CONSENSUS OF THE FASB EMERGING ISSUES TASK FORCE)

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Roseanne T. Farley
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New York State Society of Certified Public Accountants

Comments on

Re: Proposed Accounting Standards Update—*Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity* (a consensus of the FASB Emerging Issues Task Force)

File Reference No. EITF-13G

We are pleased to respond to the Financial Accounting Standards Board's (the Board) Proposed Accounting Standards Update – *Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity*, a consensus of the FASB Emerging Issues Task Force. Our responses to the Questions for Respondents are presented below.

Question 1: Should the scope of the proposed amendments be extended beyond hybrid financial instruments issued in the form of a share? If yes, please explain why and identify other hybrid instruments that should be considered by the Task Force.

Response: The scope should not be extended because diversity in practice has been noted most frequently in the area addressed.

Question 2: Do you agree that a reporting entity should consider all terms and features—including the embedded derivative feature being evaluated for bifurcation—when determining whether the nature of a host contract is more akin to debt or to equity? If another method should be used, please explain that method and why it would be an improvement.

Response: We agree that a holistic approach in which all terms and features are considered should be used in making a determination.

Question 3: Do you agree that no single feature should be determinative in concluding whether the host contract is more akin to debt or to equity? Furthermore, do you agree that a fixed-price, noncontingent redemption option held by an investor embedded in a share is not, in and of itself, determinative in concluding that the nature of the host contract is more akin to debt? If not, please explain why.

Response: Consistent with our response to Question 2, we agree that no single feature (including a fixed-price, noncontingent redemption option) should be determinative.

Question 4: Will the proposed amendments help reduce diversity in practice with respect to determining the nature of the host contract within hybrid financial instruments issued in the form of a share? If not, please explain why.

Response: The proposed amendments should reduce diversity in practice (especially for nonpublic entities) because the Securities and Exchange Commission's (SEC's) relevant Staff Announcement contained in ASC paragraph 815-10-S99-3 provides guidance similar to the proposed amendments. However, differing conclusions could be reached due to the judgment needed.

Question 5: Do you agree that the effects of the proposed amendments should be applied on a modified retrospective basis to existing hybrid financial instruments issued in the form of a share as of the beginning of the annual reporting period in which the proposed amendments are effective? Do you further agree that retrospective application should be allowed?

Response: We are concerned that requiring a modified retrospective basis could represent a burden to some (especially smaller entities), and trigger restatements of previously issued financial results such as Call Reports filed by banks. Consequently, we recommend that both the modified retrospective basis and the retrospective application be permitted but not required. We think that the benefits of reduced reporting burdens justify the temporary lack of comparability between entities.

Question 6: Do you agree that an entity should be permitted to early adopt the proposed amendments? If not, please explain why.

Response: Consistent with our response to Question 5, we agree that entities should be permitted to adopt the amendments early.

Question 7: The proposed amendments would apply to public and nonpublic entities. Should the proposed amendments be different for nonpublic entities? If so, please describe how and why you think they should be different.

Response: The proposed amendments should apply to both public and nonpublic entities. Excluding nonpublic entities would raise questions about the rationale for the amendments because, in view of the SEC's Staff Announcement, diversity in practice would be expected to occur more frequently at nonpublic entities. Our recommendation in our response to Question 5 should reduce the burden for nonpublic entities.

Question 8: How much time would be needed to implement the proposed amendments and would the implementation period differ for nonpublic entities versus public entities? Please explain why.

Response: The implementation time is based upon the accounting and reporting systems, controls procedures, staffing and audit requirements. Without knowledge of those and other matters we cannot comment.