July 11, 2014

Ms. Susan Cosper, Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

(sent via e-mail to director@fasb.org)

Re: File Reference No. 2014-200, Exposure Draft, Conceptual Framework for Financial Reporting: Chapter 8: Notes to Financial Statements

Dear Ms. Cosper:

The International Business Machines Corporation ("IBM" or "the company") appreciates the opportunity to comment on the Exposure Draft, "Conceptual Framework for Financial Reporting: Chapter 8: Notes to Financial Statements" (the "Exposure Draft"). Overall, we are supportive of the project and appreciate the Financial Accounting Standards Board's (the "Board") efforts to improve the effectiveness of disclosures in the notes to financial statements. This is a challenging area due to the complexities around the interests of many stakeholder groups.

We support the concept of enhancing and improving disclosure effectiveness. The current state of disclosure requirements in addition to what is projected from the key convergence projects is unsustainable, yet users continue to say they require even more information. We specifically support the concept of limiting the volume of disclosures required when: a) those disclosures overlap with what is required in the Management Discussion and Analysis ("MD&A"), and b) disclosures are not meaningful or significant to an entity's reported results and financial position (i.e. a checklist based approach to disclosure). We believe that the most effective disclosures are those that provide insight into an entity's specific circumstances. As a result, we believe that a disclosure framework that allows for judgment in the selection of disclosure elements based on general principles, including materiality, applicable to the entity is the most appropriate approach.

We have summarized our high level comments below and have also included a table in Attachment 1 outlining specific areas where we see ambiguity in the Exposure Draft and specific areas which we recommend should not be included in the notes or conceptual framework.

Clear Distinction and Redundancy

We appreciate the Board's decision to reactivate work on the conceptual framework, specifically conceptual matters relating to disclosures in the notes to the financial statements ("notes"). Since the concepts developed in this chapter will be the basis for establishing disclosure requirements in the future as well as evaluating existing disclosure requirements, we encourage the Board to take into consideration the current legal and regulatory environment in the United States as well as international convergence. We are especially concerned about some of the decision questions presented in Appendix A of the Exposure Draft, as well as certain contradictory sections of the Exposure Draft, as they seem to blur the current distinction that exists between forward-looking information which is disclosed in the unaudited

MD&A and historical information which is presented in the audited financial statements. We believe that the MD&A and financial statements each serve a different purpose. The financial statements present the entity's reported results and financial position, which are usually good predictors of future cash flows, and the MD&A discusses how management views that performance, including indicators and projections of future performance. In our view, mixing historical performance with predictive and speculative information will dilute those separate yet equally important messages.

The Exposure Draft does not provide sufficient clarity to ensure entities will not be required to provide forward-looking information in the financial statements which are not covered by the Securities and Exchange Commission ("SEC") Safe Harbor rules regarding forward-looking statements. Unless those rules are amended, the decision questions cannot be applied in practice. Therefore, in our opinion it is paramount that the disclosure framework project be a joint effort between the SEC and the FASB to address the comprehensive disclosure package of the MD&A and the financial statements. Preparers, users, auditors, lawyers and other regulators, such as the Public Company Accounting Oversight Board, need to know that the SEC is supportive of a more flexible, yet robust framework that promotes efficient disclosure of all material items.

In addition, the Exposure Draft does not clearly address the goal of establishing an overarching framework intended to make financial statement disclosures more effective, coordinated and less redundant. We acknowledge that the Board needs to holistically consider all preparers (both public and private), however, if there are concerns that private entity financial statements are not adequate because they are not required to prepare a MD&A and other SEC information, perhaps this issue can be addressed by the Private Company Council.

We agree that only judgments and estimates that were made for current measurements would be appropriate for inclusion in the notes. These judgments and estimates are used to provide information about historical results and current financial position, and are therefore fundamentally different from forward-looking information. We also agree that disclosures in the notes should not require an entity to provide speculative or proprietary information such that, if disclosed, might result in competitive disadvantages. The Exposure Draft is not clear in these areas and states that some current conditions and circumstances that do not necessarily affect line items may be candidates for disclosure. This concept contradicts the overall intention of the Exposure Draft to ensure reporting of effective and necessary information.

Limits and Cost Benefit Analysis

We appreciate the Board's intention to limit information disclosed in the notes. However, we are still concerned that the three ways proposed to limit the information do not reduce the potential of redundant information and do not provide enough of a boundary between what should be provided in the notes versus what should be provided in the MD&A. The proposed limitations: information should be relevant to providers of resources, the benefits of providing the information should justify the cost of providing the information, and future oriented information in the notes should not have a negative effect on the cash flow prospects of the reporting entity and its investors and creditors, are not sufficient to narrow the possible disclosures. In order for the conceptual framework project to result in meaningful improvement in disclosure effectiveness an approach to filtering the possible disclosures that will result from the various questions down to a meaningful set of required disclosures should be considered. The following items should be considered as filtering mechanisms:

1. Any forward-looking information is excluded from the notes and information provided in the notes should be limited to information that explains the inputs to current measures in the financial statements.
2. Any information required elsewhere is excluded from the notes to avoid lengthy, redundant, ineffective disclosures. Perhaps ongoing efforts with the SEC could consider cross referencing to the extent it could be audited and similarly protected under the SEC Safe Harbor rules.
3. An assessment of how the information will impact user's decisions and what specifically a user will do with the information is required. This assessment should provide a clear understanding of the importance of the information to users. This information would be important for the cost benefit analysis and the entity's decision making when preparing disclosures.
4. An assessment of the cost and complexity of compiling that information against the utility of providing the information to investors is required.
5. An assessment of materiality from the preparer's perspective based on the nature or magnitude of the information is required.

Interim Disclosures

Consistent with our comments on the Disclosure Framework Discussion Paper in 2012, we believe interim disclosure requirements in the Conceptual Framework should be the same as those already established today. A principle already exists for interim footnote disclosures for public companies, and this principle could easily be included in the Conceptual Framework to include private companies as well. SEC Regulation S-X, Rule 10-1 states that "footnote disclosure which would substantially duplicate the disclosure contained in the most recent annual report to security holders or latest audited financial statements, such as a statement of significant accounting policies and practices, details of accounts which have not changed significantly in amount or composition since the end of the most recently completed fiscal year, and detailed disclosures prescribed by Rule 4–08 of this Regulation, may be omitted."

We believe that the FASB has moved away from this principle in their recent standard setting efforts and has required or will require significant incremental interim disclosures. This places a burden on an already compressed timeline for the preparation of interim financial statements and forces entities to disclose information which may not have materially changed since the audited financial statements were issued. Our recommendation is to utilize the existing principle. As outlined in the basis for conclusion of the Exposure Draft, we would support inclusion of this principle in the decision making process for both the Board and the entity to ensure consistency in setting disclosure requirements and preparing meaningful periodic disclosures.

We urge the Board when setting disclosure requirements to consider the recent "call to action" by Keith Higgins, Director, Division of Corporation Finance at the Securities and Exchange Commission, in his April 11, 2014 speech. Mr. Higgins encouraged entities to improve disclosures in the absence of changes in requirements in the following three ways: reduce repetition of information, focus disclosures on material information and eliminate outdated immaterial information. Entities can use their judgment when applying materiality but they can only reduce repetitive information to the extent allowed within the confines of the current disclosure regime. As new disclosure requirements are established on a topic by topic basis or in the concepts statements, we encourage the Board to consider if this information is already required elsewhere.

Thank you for the opportunity to comment on this Exposure Draft. If you have any questions or wish to discuss any topic further, please do not hesitate to contact me at 914-766-2008.

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ATTACHMENT 1	
Reference	**Comment**
D17 - D20	Limitations on information in the notes are not specific enough.
D22-D31	These paragraphs and the last sentence in D12 as well as D19 discuss the distinction between notes and MD&A clearly however other questions and D29 –D30 confuse this message.
D29 -30	It is not clear if the Board is suggesting sensitivity analysis on future changes in existing conditions. Forward-looking information belongs outside the notes.
D37	Implies the need for costly roll-forwards. Cost benefit analysis would be required.
D38 d	Forward-looking information belongs outside the notes.
D43- D50	Information about the reporting entity is already disclosed several times in annual filings.
D44-45	Better suited for disclosure outside the notes.
D47-48	This is confusing. Would this be required in addition to segment reporting, in place of segment reporting? What is the relevance if management does

	not use this information?
D57 b-f	If current conditions and circumstances do not impact line items they should not be disclosed.
D60 - D71	Paragraphs D63 and D69 are confusing and seem to contradict the rest of this section. In addition, paragraph BC19 also contradicts the intent of this section.
D63	Implies the need for unnecessary costly roll-forwards.
L2 c-d	Risk is appropriately covered in reserve assumptions, L2b. Maximum potential effects should only be required if probable.
L5	Forward-looking information belongs outside the notes.
L6	Forward-looking information belongs outside the notes.
L7	How would non-routine and routine be defined?
L8	Costly to provide, would require dual reporting and could cause users confusion.
L10 b	Costly to provide, would require dual reporting and could cause users confusion.
L12 c	This is not clear. How would readily available be defined? Providing pro-forma information could effectively result in the entity being forced to adopt a new accounting standard prior to its effective date.
L15 a-b	Costly to provide, would require dual reporting and could cause users confusion.
O1	Certain questions suggest forward-looking information could be required. We are concerned with this type of information being disclosed in the notes.
O2	Certain questions suggest forward-looking information could be required. We are concerned with this type of information being disclosed in the notes.