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July 14, 2014

Ms. Susan Cosper
Technical Director
File Reference No. 2014-200
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Ms. Cosper:

Re: Proposed Statement of Financial Accounting Concepts, Chapter 8: Notes to Financial Statements (File Reference No. 2014-200)

The Canadian Bankers Association[1] ("CBA") would like to thank the Financial Accounting Standards Board (the "Board") for the opportunity to comment on proposed statement of financial accounting concepts*, Chapter 8: Notes to Financial Statements ("*ED*")*. We are supportive of the Board's efforts to establish a framework for financial statement disclosures and generally agree with the majority of the proposals made by the Board in the ED.

We are concerned that the Board and the International Accounting Standards Board ("IASB") are no longer working together to develop a common conceptual framework. As any changes proposed in the conceptual framework will impact future standard setting, a lack of consistency in the conceptual framework between the two Boards will lead to further divergence in standard setting. Convergence remains an important issue for the Canadian banking industry since it creates a level playing field for companies within international industries as well as reduces the operational resources required to fulfil different accounting requirements in key jurisdictions. To that end, we strongly urge the Board to continue working with the IASB on key accounting standards including any changes to the disclosure framework.

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[1] The Canadian Bankers Association works on behalf of 60 domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 280,000 employees. The CBA advocates for effective public policies that contribute to a sound, successful banking system that benefits Canadians and Canada's economy. The Association also promotes financial literacy to help Canadians make informed financial decisions and works with banks and law enforcement to help protect customers against financial crime and promote fraud awareness. www.cba.ca.

We do not believe that the introduction of additional disclosure requirements for standards that are not converged (such as Off-setting of Financial Instruments) is an effective way to achieve convergence as it increases the cost to preparers. This would be inconsistent with the Board's view as documented in the ED. We strongly support the Board's view highlighted in paragraph D19, that the costs of disclosure should not exceed its benefits.

We commend the Board in continuing its efforts to work with the Securities and Exchange Commission in an attempt to avoid requiring information in notes that entities are otherwise required to provide. However, we would encourage the Board to consider significant multi-jurisdictional regulatory disclosure requirements and recommendations (e.g., Enhanced Disclosures Task Force, Basel Pillar III, etc.) and believe this would aid in achieving consistency and eliminate redundancy in disclosures. Furthermore, the principles developed in producing such disclosure requirements and recommendations could be leveraged for the disclosure framework pertaining to the financial statements.

While we have not identified any major differences in the disclosure concepts between the Board's ED and IASB's discussion paper on the conceptual framework, *A Review of the Conceptual Framework for Financial Reporting*, issued in July, 2013, we have noted two areas where the FASB and the IASB have adopted a different approach. The two areas are as follows:

(1) The Board has not proposed any principles in the ED with regards to when information should be presented in the primary financial statements (statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows) and when it would be disclosed in the notes to the financial statements. In its discussion paper, the IASB has indicated that it may provide guiding principles to help make that determination. We are concerned that the absence of similar principles under US GAAP may lead to potential divergence between US GAAP and International Financial Reporting Standards when it comes to financial statements presentation. We recommend that the Board consider including similar principles in the framework in order to reduce the potential for divergence.

(2) Both the IASB and the Board have a similar view on materiality in that both have a common definition and define it as an entity specific concept. Both the IASB and the Board have also recognized that disclosure principles should take materiality into consideration in order to improve the relevance of disclosure. The IASB has indicated in its discussion paper that it intends to publish additional educational material on the application of materiality. The Board has not indicated whether it would be issuing similar guidance. We encourage the IASB and the Board work together on this project to ensure that convergence is maintained. We recommend however, that both the IASB and the Board in producing such guidance, not be too prescriptive as materiality is most appropriately addressed by the reporting entity and the use of a certain level of discretion may continue to be necessary to faithfully represent an entity's financial position and performance.

With regards to proposals in the ED, we agree with the Board's view that the purpose of the notes to the financial statements is to supplement or further explain the information on the face of the financial statements by providing financial information relevant to existing and potential investors, lenders and other creditors for making decisions about providing resources to the entity.

We support the Board's view that information should only be included in the statements when:

(1) It improves the relevance of the financial statements;
(2) The benefits of providing the information exceeds its costs; and
(3) Future-oriented information of an uncertain nature should not be disclosed in the financial statements.

We also agree with the Board's view on the type of information to be included in the notes to financial statements, as defined in paragraphs D13 – D15, respectively. The proposal states that notes should provide:

(1) Information about specific line items either to amplify or to explain information on the face of the financial statements;
(2) General information about the nature of the entity; and
(3) Information about other past events and current conditions and circumstances that will or may affect an entity's future cash flows, but have not affected a line item.

However, with regards to point (1) above, we are concerned with two additional pieces of information that the Board has proposed in paragraph D38:

(1) Under paragraph D38 (d), the Board has specified that additional information may include potential effects of changes in general legal and economic conditions. The Board should specify that such disclosure should be based on current conditions and limited to the impact on line items in the financial statements. The above clarification will help to avoid disclosure of future-oriented information of an uncertain nature.

(2) In paragraph D38 (f), the Board has specified that additional disclosures may include alternative measurements. We agree with the Board's point of view on disclosing alternative measurements as users have different needs and this information may be relevant to some users of the financial statements. We suggest however, that the Board modify this clause to clarify that such measurements would only be required when they improve relevance and the cost of providing the additional information does not exceed the benefit, which is consistent with the Board's view as documented in the ED.

We have not provided responses to specific questions set out in the ED, as we are generally in agreement with the proposals made by the Board which should lead to consistency in the development of disclosure requirements across standards. We are in agreement with most of the decision questions proposed by the Board in Appendix A of the ED, with the exception of questions L6 and L10. We also have additional comments on some of the decision questions where we would like additional clarification. We have provided our comments in Appendix 1 of this letter.

Sincerely,

Attachment: Appendix

Appendix 1:

We are generally in agreement with the decision questions proposed by the Board. We believe these questions provide an appropriate tool for the Board to use in determining future disclosure requirements. We would however like additional clarifications on the following questions:

Question L3

The Board will need to clarify the type of disclosures it will consider in order to address existence uncertainty in recognizing assets and liabilities. Existence uncertainty is not as obvious as measurement uncertainty. In our view, existence uncertainty arises in cases where a probability threshold is applied to determine the recognition of an asset or a liability, for example, in the recognition of contingent liabilities. Is the Board proposing that entities disclose the probability criteria that are applied by the entity in determining whether to recognize the asset or liability?

Question L5

The question should specify that to be consistent with the framework, any disclosures involving expectations of the future should be based on current conditions and limited to impacts on items currently recognized in the statements. This should not involve management having to provide its expectation of uncertain future conditions and the related impact on the line item.

Question L6

The Board proposed that disclosure be made on line items that are subject to change as a result of changes in general economic conditions or market factors. Such information is forward looking, some of which is already discussed in the MD&A. We believe the inclusion of such information in the financial statements would not be appropriate considering the disclosure within the financial statements should reflect the current state of the financial statements rather than a mixture of future state with current state which could be misleading to the users.

We would recommend the Board clearly state in the conceptual framework that the objective of the financial statements is to present historical information regarding the current and comparative periods in such a manner that users can review to help understand a company's business, financial position, and financial performance.

Question L10

While we understand that in certain instances there are acceptable alternative accounting policies or methods provided under U.S. GAAP, the Board should consider the incremental value of such disclosures. The magnitude of the difference between alternatives would require the tracking of potentially multiple methods and could lead to substantial operational costs that exceed the benefit of the disclosure. We encourage the Board not to pursue this topic further.

Question L15

While we agree with the Board’s view that disclosures of alternate measures may be relevant in some cases, the Board should consider the evaluation of such disclosures on a case-by-case basis. Disclosure of alternate measures should only be limited to cases where it improves the relevance of financial statements for users and when the cost of the disclosure does not exceed its benefit, which is consistent with the Board's view as documented in the ED.