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Invested in America

March 18, 2015

Russell G. Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom

Re: *Revenue from Contracts with Customers—An amendment of the FASB Accounting Standards Codification—(Topic 606) and An amendment of the IASB International Financial Reporting Standards (IFRS 15)*

Dear Mr. Golden and Mr. Hoogervorst:

The Global Financial Institutions Accounting Committee, the International Financial Reporting Standards Committee, and the Asset Management Accounting Policy Committee of the Securities Industry and Financial Markets Association ("SIFMA")[1] appreciate the opportunity to comment on the effective date of the FASB and IASB's (the "Boards") converged standard on Revenue from Contracts with Customers.

We are supportive of the principles in the standard, and have been working diligently to analyze our contracts in accordance with the new standard. However, the need for implementation guidance and interpretation has been much greater than anticipated and reaching agreement on such matters among skilled accountants has been more difficult than expected. In addition, we find that it is necessary to review many more contracts than anticipated because the bespoke nature of many of our contracts has restricted the degree to which "buckets" of like contracts can be assessed as a group. We are therefore concerned that the current effective date of January 1, 2017 will not

[1] SIFMA is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over $2.4 trillion for businesses and municipalities in the U.S., serving retail clients with over $16 trillion in assets and managing more than $62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

provide sufficient time for implementation and as such, request that the Boards provide a deferral of at least one year or longer if needed to allow for development of additional implementation and interpretative guidance.

Background

The standard's retrospective application requirement (full or modified) may necessitate tracking under the new standard beginning as early as January 1, 2015 to the extent prior period amounts are impacted and presented for comparative purposes in the 2017 financial statements. This requires preparers to make important decisions and take actions very quickly to implement and comply with the new guidance.

However, the lack of clarity on numerous interpretative issues is the most significant impediment preventing preparers from being able to reach conclusions for a substantial number of revenue contracts. As you know, the AICPA has formed 16 Industry Task Forces to identify and address revenue recognition issues that require interpretive guidance. These Task Forces comprise senior representatives from both the preparer and auditor communities, and they began their efforts before the standards were issued. As of February 1, 2015, they had identified 173 issues of which 12 have been sent for initial review by FinREC. This small level of progress, despite significant efforts by experienced and knowledgeable professionals, is an indicator of the complexity being encountered across all industries. [2] Both of the Boards have considered revising or clarifying certain aspects of the new guidance (e.g., identifying performance obligations related to the level at which promised goods or services are identified in a contract with a customer or evaluating whether promised goods and services are distinct), and we are in agreement on the need for that additional clarity.

Once additional clarity is provided on these open interpretive issues and we are able to reach conclusions on the timing and amount of revenue recognition for financial reporting purposes for all of our contracts, we will then need to assess the tax implications of those conclusions, establish a new set of disclosures related to those conclusions and consider the need to update our accounting and IT systems, accounting policies, controller processes and internal controls. Implementation of IT systems, processes, and internal controls are expected to take a considerable amount of time and are a significant driver of the need for additional time. It should also be noted that until there is clarity on many of the identified issues, efforts to review contracts as part of the implementation plan are severely constrained at best.

Additionally, the sheer volume of bespoke contracts that our firms must assess (due to unique performance obligations limiting the number that can be assessed as group) is proving to be operationally unfeasible given the short timeframe discussed above.

Although having an effective date of 2017 may appear to provide appropriate time to address issues and to implement the standard, the substantial volume of transactions that firms must assess together with the lack of clarity on numerous interpretive issues and significant implementation effort necessitates our request for a deferral of the effective date of the new standard.

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[2] The list of issues and their status can be viewed on the AICPA's web site at
http://www.aicpa.org/InterestAreas/FRC/AccountingFinancialReporting/RevenueRecognition/DownloadableDocuments/RRTF_Issue_Status.pdf

We applaud the Boards for issuing a converged standard and hope to continue in the direction of convergence for implementation. To achieve the full benefit of that effort, it is important to have consistency in application and, to the extent possible, a common starting point. Given the ongoing implementation challenges we have set forth that are not unique to either accounting framework, we encourage the Boards to consider jointly deferring the effective date of these standards. Many of our firms are global institutions that have both US GAAP and IFRS filing requirements and would be particularly affected by disparate effective dates and the challenge in implementing the new standards earlier for one regime and then subsequently implementing them for the other.

The Global Financial Institutions Accounting Committee, the International Financial Reporting Standards Committee, and the Asset Management Accounting Policy Committee would be pleased to discuss our comments with the FASB or IASB staff. Please contact Tim Bridges at 212-902-7052, Michael Fehrman at 212-250-2660, or Israel Snow at 212-357-5730 if you have questions or comments concerning our letter.

Regards,

Timothy Bridges
Chairman
SIFMA Global Financial Institutions Accounting Committee

Michael Fehrman
Chairman
SIFMA International Financial Reporting Standards Committee

Israel Snow
Chairman
SIFMA Asset Management Accounting Policy Committee

cc:
Financial Accounting Standards Board
Susan Cosper, Technical Director
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Hugh Shields, Executive Technical Director
Securities Industry and Financial Markets Association
Mary Kay Scucci, Managing Director