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**National Credit Union Administration  
Board of Governors of the Federal Reserve System  
Federal Deposit Insurance Corporation  
Office of the Comptroller of the Currency**

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May 14, 2015

Financial Accounting Foundation  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116  
Via email: [PCCReview@f-a-f.org](mailto:PCCReview@f-a-f.org)

Re: *Three-Year Review of the Private Company Council, Request for Comment*

Dear Members of the Board of Trustees:

The staffs of the four federal financial institution regulatory agencies (the agencies) appreciate the opportunity to comment on the Private Company Council's (PCC's) effectiveness and accomplishments during the past three years, and its future role in setting standards for private companies. Among the improvements under consideration noted in the request for comment, the agencies concur with the PCC transitioning from a body that primarily develops alternatives to existing generally accepted accounting principles (GAAP) to a role that primarily provides input on the Financial Accounting Standards Board's (FASB's) active agenda projects. We expect the PCC to continue to advocate for less complex and more practical approaches to accounting to reduce the financial reporting burden for private companies while considering the needs of private company financial statement users. For the reasons described herein, the agencies believe this would be a reasonable change to the PCC's role.

The agencies believe that the formal inclusion of the PCC in the standards-setting process has been beneficial. Because of its stature within the organizational structure of the Financial Accounting Foundation, the establishment of the PCC as an advisory body that focuses specifically on the information needs of private company financial statement users has been an important development. By and large, the PCC's record has been successful in maintaining a balance between reducing complexity for private companies and maintaining the usefulness of their financial statements. Furthermore, the interaction between the PCC and the FASB has prompted discussion of simplifying certain aspects of accounting for all reporting entities, which we support and encourage. In this regard, we also support the FASB in considering whether the recommendations of the PCC can benefit public companies without sacrificing information that is relevant and decision-useful to their financial statement users.

Our support for the proposed transition of the PCC from a body that develops alternatives to existing GAAP to one that provides input to active agenda projects of the FASB can also be understood as our support for a single set of standards that provide common principles to all

companies for recognition and measurement.<sup>1</sup> We would be concerned if private company alternatives resulted in materially different recognition and measurement principles for public and private companies. Although a dichotomy in the accounting standards between private and public companies has not emerged thus far, the changing role of the PCC into a source of input should reduce the likelihood of such a development.


The banking agencies<sup>2</sup> wish to emphasize that many banks and savings associations that would otherwise be considered private companies cannot benefit from the PCC's accounting alternatives and the deferred effective dates of Accounting Standards Updates because they are considered public solely through meeting criterion (e) of the public business entity definition. Institutions fall within the scope of criterion (e) when they have securities that are not subject to contractual restrictions on transfer and are required by law or regulation to make GAAP financial statements publicly available.<sup>3</sup> The banking agencies continue to encourage reconsideration of the definition of a public business entity so that these banks and savings associations can benefit from private company alternatives that are otherwise available to the financial services sector as well as the deferred effective dates for new accounting guidance.

We appreciate the opportunity to provide our comments. We hope you find our comments beneficial, and we would be pleased to discuss our views with you in greater detail.

Sincerely,



D. Scott Neat  
Director, Division of Supervision  
Office of Examination and Insurance  
National Credit Union Administration



Steven P. Merriett  
Deputy Associate Director and  
Chief Accountant— Supervision  
Board of Governors of the Federal Reserve  
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Louis A. (Rusty) Thompson, Jr.  
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(Acting)  
Office of the Comptroller of the Currency

<sup>1</sup> Please refer to our January 26, 2012, comment letter on the Plan to Establish the Private Company Standards Improvement Council.

<sup>2</sup> The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency.

<sup>3</sup> Banks and savings associations supervised by the banking agencies that have total assets greater than \$500 million are required by Section 36 of the Federal Deposit Insurance Act and Part 363 of the Federal Deposit Insurance Corporation's (FDIC) regulations to prepare and make publicly available annual audited GAAP financial statements.