



Robert E. Boyle
Vice President and Deputy Controller
The Prudential Insurance Company of America
100 Mulberry Street, Gateway Center 3, 7th Floor
Newark, NJ 07102
973-802-2220
robert.boyle@prudential.com

August 3, 2015

Technical Director
File Reference No. 2015-280
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
Via e-mail to director@fasb.org

Subject: Proposed Accounting Standards Update: Investments – Equity Method and Joint Ventures
(Topic 323), Simplifying the Equity Method of Accounting

Dear Technical Director:

Prudential Financial, Inc. (the “Company” or “we”) appreciates the opportunity to comment on the above referenced proposed Accounting Standards Update (“ASU”). The Company is a financial services leader with more than \$1 trillion of assets under management as of December 31, 2014 and has operations in the United States, Asia, Europe and Latin America. As of December 31, 2014 the Company had \$4.6 billion of investments in joint ventures, limited partnerships, and limited liability companies accounted for under the equity method of accounting.

We support the proposed ASU and believe that it simplifies the accounting, maintains a faithful representation of the economics of the investment, and reduces costs associated with identifying and valuing complex intangible assets. While this simplification could result in additional focus on the impairment analysis in certain investees, we do not view this as burdensome or costly as this analysis is already required. Furthermore, the impairment model should mitigate concerns that reduced amortization will inflate earnings since any other than temporary loss in value will be reflected in earnings, regardless of cause.

Before finalizing the guidance in the Exposure Draft, we recommend that the Board consider providing practical expedients in the final ASU that address situations where applying the guidance in the standard is deemed “impracticable”, as defined in ASC 250. One suggestion would be to allow companies the option to allocate basis differences pursuant to the current model.

Finally, we understand that some are proposing that equity method basis differences be amortized pursuant to a pre-defined period (for example, to amortize all basis differences “over the period in which an investor benefits, not to exceed 10 years”). Companies often invest in strategic joint ventures in growth markets. Applying a pre-defined amortization schedule to those investments would provide accounting fundamentally inconsistent with investee economics since amortization would have an arbitrarily negative impact on results in early years and inflate ROE in later years. While this approach could be described as “simple”, it would also be inconsistent with investee economics whenever some measure of value can be ascribed to future growth (i.e., equity method goodwill).

Thank you for the opportunity to provide input on the proposal. Please contact me at 973-802-2220 or robert.boyle@prudential.com if you would like to discuss our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "RE Boyle", with a long horizontal flourish extending to the right.

Robert E. Boyle
Vice President and Deputy Controller