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

File Reference No. 2015-300

Dear Ms. Cosper:

Connor Group, Inc. is pleased to provide our comments on the Proposed Amendments to Statements of Financial Accounting Concepts, *Conceptual Framework for Financial Reporting, Chapter 3: Qualitative Characteristics of Useful Financial Information*. Connor Group was founded in 2005 and is a technical accounting advisory firm built of Big 4 alumni and industry executives. We currently have over 400 clients and specialize in helping our clients solve complex technical accounting issues under both U.S. GAAP and IFRS. Our clients represent industries such as technology, software, internet, cloud services, life sciences and manufacturing, amongst others. In addition, we assist many of our clients with aspects of their accounting and financial reporting during their IPO filing process.

We have included below our response to the "Question for Respondents" posed in the Proposed Amendments.

Comments on Question for Respondents

Question: *Do the proposed amendments improve Concepts Statement 8? If so, how? If not, why?*

We believe the proposed amendments may result in increased complexity and cost of preparation of financial statements without improving quality of financial information included in such financial statements. The proposed amendments state:

> *"Materiality is a legal concept. In the United States, a legal concept may be established or changed through legislative, executive, or judicial action. The Board observes but does not promulgate definitions of materiality. Currently, the Board observes that the U.S. Supreme Court's definition of materiality, in the context of the antifraud provisions of the U.S. securities laws, generally states that information is material if there is a substantial likelihood that the omitted or misstated item would have been viewed by a reasonable resource provider as having significantly altered the total mix of information.1 Consequently, the Board cannot specify or advise specifying a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation."*

We are concerned that introducing reference to a legal concept will require issuers to closely follow legal developments related to interpretation of materiality in a case-law legal environment. This practice may become especially burdensome for smaller public or for private companies, as well as smaller audit firms, all of which may have limited access to legal resources. Referring to materiality as a legal concept also makes it a jurisdiction dependent characteristic. Many of our clients operate internationally receiving financial resources in multiple countries. Legal definition of materiality may differ in these countries from the definition of materiality by the U.S. Supreme Court. Definition of materiality in some jurisdictions may be particularly convoluted. It is not clear how the proposed amendments are intended to be applied in these circumstances.

We are also concerned that the proposed amendments do not appear to limit materiality assessment to the context of an individual entity's financial report. The definition accepted by the U.S. Supreme Court explicitly refers to the "total mix of information" which presumably includes information outside of the financial statements and will likely require management and auditors to evaluate significance of accounting data by weighting it against the totality of all publicly available information. For these reasons we anticipate the practice to evolve to establish materiality at the lower level than the one supported by the existing definition of materiality, as the issuers and auditors will aim to minimize their risk of having material errors.

Finally, we do not support divergence from the IFRS framework which is currently consistent with the existing definition of materiality in U.S. GAAP and is more consistent with the international nature of financial markets where many of our clients operate.

In making the above observations, we concluded that we disagree with those respondents to the May 29, 2008 FASB Exposure Draft, *Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics and Constraints of Decision-Useful Financial Reporting Information)* who believe materiality is not a constraint on a reporting entity's ability to report information because an entity can choose to report immaterial information. For many entities such choice exists only in theory. Many companies implicitly have to apply materiality on a daily basis as doing otherwise will result in a prohibitively costly accounting system. Examples include use of standard costing, average or month-end conventions for foreign currency exchange rates, preparation of statements of cash flows for issuers operating in multiple currencies, fixed assets capitalization thresholds and use of other accounting conventions which may only be justified on the basis of materiality.

Based on the foregoing, in our opinion, the proposed amendments may result in lower materiality thresholds, higher compliance cost, including audit costs, and no significant benefits to the users of the financial statements as the issuers will prefer to include in the financial reports information with little relevance in order to minimize risk of material misstatements based on the proposed amendments.

We would be pleased to respond to any questions the FASB or its staff may have concerning our comments. Please direct any questions to Aleks Zabreyko (aleks.zabreyko@connorgp.com; (650) 353-7044) or Denis Kozhevnikov (denis.kozhevnikov@connorgp.com; (650) 521-3099), partners in our Accounting Standards and Professional Practice group.

Sincerely,

Connor Group, Inc.