

November 10, 2016

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

Via mail: director@fasb.org

File Reference: 2016-340 *Premium Amortization on Purchased Callable Debt Securities*

Dear Chairman Golden:

The American Bankers Association¹ (ABA) appreciates the opportunity to comment on the exposure draft, *Premium Amortization on Purchased Callable Debt Securities* (ED). The ED proposes to shorten the amortization period for callable debt securities purchased at a premium. As opposed to amortizing the premium to the contractual maturity date, acquirers of such securities will amortize the premium to the earliest call date. Under the ED, discounts on callable debt securities will continue to be amortized to contractual maturity. Accordingly, the ED is based on a “yield to worst” concept.

ABA supports FASB’s attempt to align the amortization period of premiums and discounts to expectations incorporated in market pricing on the underlying securities, and believes the yield to worst approach generally accomplishes this objective.

ABA recognizes the importance of the premium amortization issue and believes that the proposal significantly improves the decision usefulness of the related information to the financial statement user. With this in mind, ABA further recommends that an early adoption provision be made available within the final standard.

In addition, while some ABA members agree that the scope of the change should be limited to callable debt securities purchased at a premium, other members would like to be allowed to amortize discounts to the expected call date when, based on persuasive past experience on similar instruments, the preparer believes it is highly likely that the security will be called prior to maturity.

¹ The American Bankers Association is the voice of the nation’s \$16 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard \$12 trillion in deposits and extend more than \$8 trillion in loans.

Financial Accounting Standards Board
2016-340 *Premium Amortization on Purchased Callable Debt Securities*
November 10, 2016
Page 2

Thank you for your attention to these matters and for considering our views. Please feel free to contact me (mgullette@aba.com; 202-663-4986) if you would like to discuss our views.

Sincerely,

A handwritten signature in cursive script that reads "Michael L. Gullette".

Michael L. Gullette