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2016-340
Comment Letter No. 6

Ms. Susan M. Cospers
Technical Director
File Reference No. 2016-340
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

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Proposed Accounting Standards Update, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities* (File Reference No. 2016-340)

Dear Ms. Cospers:

We appreciate the opportunity to comment on the proposed Accounting Standards Update, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities* (the Proposed Update), issued by the Financial Accounting Standards Board (FASB or Board).

We support the FASB's objective of shortening the amortization period for callable debt securities purchased at a premium. We believe the Proposed Update generally aligns the interest recognition of callable debt securities purchased at a premium with the market economics of the underlying transaction.

However, we believe the FASB should clarify whether the proposed guidance would apply to callable instruments that do not have definitive call dates, such as an instrument with a contingent call feature. In these cases, the first call date depends on a future event. If the FASB clarifies that these instruments would be in the scope of the Proposed Update, we also recommend that it provide guidance on how the contingency should be considered when determining the earliest call date.

We note that the proposal would amend the guidance for investment companies in Accounting Standards Codification (ASC) 946-320-35-20 to require that all premiums and discounts for debt securities be amortized in accordance with the guidance in Subtopic 310-20. Because some debt securities held by investment companies may be in the scope of ASC 325-40, we suggest that the FASB include a reference to ASC 325-40, as that may be the appropriate guidance in some cases.

Our responses to questions raised in the Proposed Update are in the appendix.

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We would be pleased to discuss our comments with the Board members or its staff at your convenience.

Very truly yours,

Appendix – Responses to questions for respondents

Question 1: Do you agree that premiums on purchased callable debt securities should be amortized to the earliest call date? Please explain why or why not.

We agree with the Board's decision because the proposal generally aligns the interest recognition with the market economics of the underlying transaction.

Question 2: How much time would be needed to implement the proposed amendments? Should entities other than public business entities be provided more time? Should early adoption be permitted?

We do not believe the Proposed Update will be difficult to implement. As such, we do not believe entities that are not public business entities (PBEs) will need more time than PBEs.

We would support an implementation period of at least one year, with early adoption permitted.

Question 3: Do you agree with the proposed transition method and disclosures in paragraph 310-20-65-1(c)? Please explain why or why not.

We agree with the Board's decisions. The proposed disclosure requirements in paragraph 310-20-65-1(c) would provide decision-useful information on the change in accounting policy.

While the Board acknowledges concerns about whether a full retrospective transition approach is practicable, some entities may, nevertheless, wish to voluntarily adopt the Proposed Update using this approach to provide users with consistent accounting for all periods presented in the financial statements. We see no reason why entities should not be permitted to choose this approach for transition.