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November 28, 2016

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Via email: director@fasb.org
File Reference No. 2016-340

Re: Proposed Accounting Standards Update *Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*

Dear Technical Director:

Franklin Templeton Investments¹ appreciates 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 ASU”). Our responses to the questions in the Proposed ASU are set forth below.

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 support shortening the amortization period for any premiums on callable debt securities. As noted in the Proposed ASU, the market conventions surrounding callable bonds’ pricing and trading is on a yield-to-worst basis. Yield-to-worst provides the most rational results when considering the economic environment at the time of acquisition and, as a result, we believe this to be the most appropriate methodology to use in determining amortization.

Generally, amortizing to the first call date will result in a yield-to-worst. However, we have observed that in a number of instances, certain bonds or other fixed income instruments have call prices that exceed par at some point during the securities’ lifetimes. In these types of scenarios, determining the yield based on the next call date and price after acquisition may not result in a yield-to-worst.

For example, if a 6% annual coupon bond were acquired at a price of 101 and was callable in 1 year at 102 and in 2 years at 100, amortizing to the initial call after acquisition

¹ Franklin Resources, Inc. is a global investment management organization operating as Franklin Templeton Investments. Franklin Templeton Investments provides global and domestic investment management to retail, institutional and sovereign wealth clients in over 180 countries across all asset classes. At September 30, 2016, Franklin Templeton Investments managed \$733.3 Billion of assets around the world.

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would result in a yield of 6.9% while amortizing to the second call would result in the more logical yield of 5.5%.

Accordingly, we suggest that the Proposed ASU be modified to explicitly require a yield-to-worst methodology. In instances where a reporting entity believes that yield-to-worst and yield-to-first call provide substantially similar results, we recommend that the Proposed ASU allow for deviation from the requisite yield-to-worst methodology, and to a yield-to-first call methodology. We also recommend that appropriate disclosure regarding the reporting entity's accrual methodology be required within the entity's financial statements.

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 believe that the Proposed ASU should be effective for all entities no sooner than fiscal years beginning one year after issuance of the Accounting Standards Update. This would provide sufficient time for entities to remediate any systems or processes, as needed. Additionally, we believe that early adoption should be 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 believe that the proposed transition method and disclosure requirements are appropriate.

We appreciate your time and consideration of our comments. If you have any questions or wish to discuss any of the issues addressed in this letter, please contact the undersigned at (916) 463-5030.

Very Truly Yours,

/s/

Laura F. Fergerson
Senior Vice President
Franklin Templeton Services