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November 13, 2017

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

File Reference No. 2017-300
Re: Proposed Accounting Standards Update, *Technical Corrections and Improvements to Recently Issued Standards . . . Accounting Standards Update No. 2016-01, Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*

Dear Ms. Cosper:

Deloitte & Touche LLP is pleased to comment on the FASB's proposed Accounting Standards Update (ASU) *Technical Corrections and Improvements to Recently Issued Standards . . . Accounting Standards Update No. 2016-01, Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.*

We support the Board's commitment to a standing project on technical corrections, clarifications, and minor improvements to the *FASB Accounting Standards Codification* (the "Codification"). Limiting this project to changes that clarify and improve the provisions of ASU 2016-01 seems the most practical and efficient way to resolve technical issues related to the ASU's implementation.

Although we generally agree with, and support finalizing, the proposed technical corrections, we have significant concerns with respect to the proposed amendments to ASC 321-10-35-2 as detailed in our response to Question 1. The appendix contains our responses to the proposed ASU's questions for respondents. In our responses, we note our concerns and the need for clarification about certain technical corrections.

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We appreciate the opportunity to comment on the proposed ASU. If you have any questions concerning our comments, please feel free to contact Shahid Shah at (203) 563-2749.

Yours truly,

Deloitte & Touche LLP

cc: Robert Uhl

Appendix
Deloitte & Touche LLP
Responses to Proposed ASU's Questions for Respondents

Question 1: The proposed amendments are intended to improve the clarity of the guidance in Update 2016-01. Would the proposed amendments clarify that guidance? If not, please explain which proposed amendment(s) would not provide clarification, and why.

We generally agree with the proposed amendments. However, as discussed below, we have concerns about the following aspects of the proposal:

Paragraph 4 — Amendments to ASC 321-10-35-2

The proposed ASU amends ASC 321-10-35-2 to clarify that an entity may "unelect" (i.e., reverse its election of) the measurement alternative and subsequently elect an "accounting policy" to measure the equity security and all equity securities of the "same type" at fair value in accordance with ASC 820. Further, paragraph BC7 of the proposed ASU states that the Board believes that an election to measure the securities (previously accounted for under the measurement alternative) at fair value establishes an accounting principle, and therefore any subsequent changes would be subject to ASC 250. With respect to the proposed amendment, we recommend that the Board amend the guidance in ASC 321-10-35-2 to clarify:

- What is meant by equity securities of the "same type"? ASC 320-10-50-1B provides guidance on "major security types" in the context of debt securities. If the Board expects companies to analogize to the guidance in ASC 320-10-50-1B for debt securities in determining what constitutes equity securities of the same type, we recommend that the Board include similar guidance in ASC 321 for equity securities.

- Whether once an entity unelects the measurement alternative and elects to measure all equity securities of the same type at fair value (in accordance with ASC 820), the entity is permitted to measure any subsequently acquired investments in equity securities of the same type by using the measurement alternative in ASC 321-10-35-2 or whether the entity must measure such equity securities at fair value.

  Similarly, if an entity, in accordance with ASC 321-10-35-1, initially measures equity securities without a readily determinable fair value at fair value, it is not clear whether an entity is prohibited from electing to measure, on an instrument-by-instrument basis, any newly acquired investments in the same type of equity securities by using the measurement alternative in ASC 321-10-35-2. That is, did the use of fair value for previously purchased equity securities of the same type create an accounting policy, or is it only the election to move from the measurement alternative to fair value that creates the accounting policy?

  If the Board believes, as stated in paragraph BC7 of the proposed ASU, that the measurement at fair value, at inception or acquisition (or upon unelecting the measurement alternative), of equity securities (of the same type) without a readily determinable fair value represents the establishment of an accounting principle, we recommend that the Board explicitly clarify in the amendments to ASC 321-10-35-2 whether an entity, once (either upon recognition or upon unelecting the measurement alternative) it measures an equity security without a readily determinable fair value at fair value, is prohibited from measuring other equity securities of the same type by using the measurement alternative. That is, would any existing or new investments in equity securities of the same type not qualify for the measurement alternative?

In clarifying the guidance to address these issues, the Board may also want to consider whether the guidance is introducing unnecessary complexity and whether there is a simpler way to accomplish the Board's objective.

Paragraph 8 — Amendments to ASC 815-10-35-6

The proposed ASU amends ASC 815-10-35-6 to clarify that remeasuring the entire fair value of a forward contract and a purchased option is required when observable transactions occur on the underlying equity security. We agree with the proposed amendment with respect to remeasuring the entire fair value of a forward contract. However, we are concerned that measuring the full fair value of an option would introduce complexity. A full fair value measurement would require the entity to compute the implied volatility, one of the inputs into the option pricing model. The observable transaction triggering this requirement may be the only observable transaction for a substantial period, making the estimation of the implied volatility difficult. Because of this potential complexity involved in valuing options, we recommend that the Board evaluate whether there are other viable alternatives that would increase the practicality of implementation for preparers while continuing to provide useful information to financial statement users.

Question 2: Will any of the proposed amendments result in substantive changes to the application of Update 2016-01 that would require transition provisions or an effective date for the final amendments other than as noted in the Summary section "When Would the Amendments Be Effective?" If so, please describe.

We do not believe that any of the proposed amendments would require transition provisions other than those described in the Summary section "When Would the Amendments Be Effective?"

Question 3: Should other changes be made that are directly or indirectly related to the proposed amendments? Please note that the Board will conduct Codification improvements projects on a periodic basis and additional changes may be postponed to a subsequent Codification improvements project.

We do not see a need for other changes that are directly or indirectly related to the changes noted in the proposed ASU.