Citizens
Financial Group, Inc.

Randall J. Black
Corporate Controller
Executive Vice President

Citizens Bank
RSD202A
100 Sockanosset Cross Road
Cranston, RI 02920

Telephone: (401) 734-2779
Randall.Black@citizensbak.com

February 1, 2018

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

File Reference No. 2018-210

Dear Ms. Cosper:

Citizens Financial Group, Inc. (Citizens) appreciates the opportunity to comment on the FASB's proposed Accounting Standards Update (ASU) *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. Citizens strongly supports the amendments in the proposed ASU and the FASB's prompt effort to address certain unintended consequences highlighted by the recent tax reform, and to improve the usefulness of information reported to financial statement users. Citizens recommends immediate approval of the proposed ASU with early adoption by reporting entities permitted.

The Appendix contains our responses to the Questions for Respondents.

If you have any questions regarding our comments, please contact me at (401) 734-2779 or Randall.Black@citizensbank.com.

Sincerely,

Randall J. Black
Controller, Executive Vice President
Citizens Bank

Appendix

Responses to Questions for Respondents

Question 1: Do you agree with the amendments in this proposed Update that would require a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate? If not, why?

Yes, Citizens agrees with the proposed amendments. A reclassification from accumulated other comprehensive income (AOCI) will result in components of equity that will be more appropriately stated, and the tax rates in AOCI will be aligned to the tax rates used in the related deferred tax assets and deferred tax liabilities. The reclassification from AOCI to retained earnings for the stranded tax effects resulting from the newly enacted federal corporate income tax rate will also prevent the potentially negative effect on regulatory capital for some banks. Overall, the implementation of the proposed amendments will provide more useful information to financial statement users.

Question 2: Are the transition requirements appropriate? If not, what transition approach is more appropriate and why?

Yes, the transition requirements are appropriate, reasonable, and informative for financial statement users.

Question 3: Do you agree that early adoption should be permitted?

Yes. Permitting early adoption will enable entities to align the timing of the reclassification of stranded tax effects of items included within AOCI to retained earnings with the income statement effect of the adjustment to deferred tax assets and liabilities for the reduced corporate tax rate in their 2017 financial statements. This alignment results in a truer economic picture of the impact of tax reform on financial statements.

Question 4: Do you agree with the proposed effective date? If not, what effective date is more appropriate and why?

Yes, Citizens agrees with the proposed effective date and believes it provides entities sufficient time to analyze the impact of the proposed ASU and discuss with key stakeholders.

Question 5: GAAP generally prohibits backwards tracing, *which is the process of recognizing the effects of changes in deferred tax amounts in the current year in the same line item in which the deferred tax amounts were originally recognized (for example, other comprehensive income) in prior years. The Board did not allow backwards tracing as part of this project and is currently researching the merits of a broader project on backwards tracing. Should the Board add a broader project on backwards tracing to its active agenda? If so, why?*

Yes, Citizens supports adding a broader project on backwards tracing as a long-term solution. Remeasuring deferred tax assets and liabilities due to changes in tax rates and recording the impact through AOCI for temporary differences that were originally recorded through AOCI will eliminate the possibility of trapping certain amounts indefinitely in AOCI and avoid the need to create operational processes to release such stranded amounts over the life of the underlying asset or liability.

Additionally, should the following alternatives to backwards tracing be considered in that broader project? If so, why?

Yes, Citizens believes that all of the following alternatives should be considered in the broader project on backwards tracing for the reasons stated below.

a. *Accounting for the release of the stranded tax effects from accumulated other comprehensive income*

A requirement to release the stranded tax effects from AOCI would result in alignment of the AOCI amount with the related deferred tax asset or liability, and would provide a permanent solution for accounting for changes in tax rates. This alternative will provide better information to financial statement users, while providing financial statement preparers a less-complex mechanism to account for changes in tax rates that can be applied to various tax types.

b. *Reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects associated with* prior changes *in other tax rates (for example, state and local taxes)*

A requirement to reclassify from AOCI to retained earnings the tax effects of all tax rate changes, federal state or local, would remove any amounts that may be stranded in existing AOCI balances and would better align the AOCI tax amount with the related deferred tax asset or liability, resulting in better information for financial statement users.

c. *Reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects associated with all* future changes *in tax rates.*

This alternative would provide a long-term solution in the absence of backward tracing; however, allowing backward tracing would better measure the economic impact of rate changes if the cost to calculate does not exceed the benefit.