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February 2, 2018

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

Re: File Reference No. 2018-210- Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

Dear Chairman Golden,

The Global Financial Institutions Accounting Committee of the Securities Industry and Financial Markets Association ("SIFMA")[1] appreciates the opportunity to comment on the proposed Accounting Standards Update, *Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (the "proposed ASU"), which was issued in January 2018. We appreciate the willingness of the Board to address the issue of stranded tax effects in such a timely manner.

We agree with the proposed ASU to require a reclassification of the stranded tax effects from Accumulated Other Comprehensive Income ("AOCI") to retained earnings resulting from application of the new corporate tax rate. We also agree with the proposal providing the ability for firms to early adopt such ASU once it is issued as final.

[1] SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over $2.5 trillion for businesses and municipalities in the U.S., serving clients with over $18.5 trillion in assets and managing more than $67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org

Other stranded tax impacts

As currently drafted, the proposed ASU requires a reclassification for stranded tax effects resulting from the newly enacted federal corporate income tax rate, specified as the difference between the historical corporate income tax rate and the newly enacted 21 percent corporate income tax rate. This could be interpreted to exclude other impacts associated with the Tax Cuts and Jobs Act of 2017 (the "Tax Act") that would result in stranded tax effects in AOCI. For example, deferred taxes related to foreign currency translation adjustments recorded through OCI have generally been reversed from 35% to 0% through continuing operations as a result of the change to a modified territorial tax system. If the current proposal is interpreted to only reclassify the stranded tax impact due to the difference between the 35% historical rate and the new 21% rate for such adjustments, a 21% tax impact difference would remain stranded within AOCI. In addition, as a result of the reduced corporate income tax rate, the federal benefit of state and local tax deductions will be reduced, resulting in a slightly different amount being stranded in AOCI than the 14% difference between the historical and new rate. This difference also may not be captured by the reclassification if the proposal is interpreted narrowly. We believe the Board intended to allow for the impact of stranded taxes caused by the Tax Act to be reclassified from AOCI to retained earnings; therefore, we encourage the Board to clarify its intent within the current proposal.

Transition requirements

Currently the proposal requires the reclassification from AOCI to retained earnings to be reflected in the period the related deferred tax re-measurement was recorded, including retroactively to past periods where applicable. For firms that adopt the standard subsequent to the period the tax re-measurement was recorded, this will result in restating the previously published retained earnings balance. In addition, it may result in having to re-file certain regulatory reports such as the Consolidated Reports of Condition and Income (Call Report) and Consolidated Financial Statements for Bank Holding Companies (FR Y-9C Report). For firms that would rather avoid such restatements and re-filings and the attendant operational burden, we request an option be provided to apply the transitional impact to beginning retained earnings in the period or fiscal year of adoption of the ASU.

Backwards tracing

We strongly encourage the FASB to add a broader project on backwards tracing to its future agenda. We believe the Board should require the release of stranded tax effects from AOCI to retained earnings. Furthermore, we believe changes in deferred tax amounts in the current year should be recognized in the same line item in which the deferred tax amounts were originally recognized (e.g., Other comprehensive income, Discontinued operations, Additional paid-in capital). This will remove the notion of any stranded taxes in the future, and provide more intuitive and decision-useful information to users of financial statements.

If you have questions or would like to discuss our comments in additional detail, please contact either Timothy Bridges at 212-902-7052 or Mary Kay Scucci at 212-313-1331. Thank you in advance for your consideration of this matter.

Regards,

Timothy Bridges
Chair, Global Financial Institutions Accounting Committee
SIFMA

cc: Susan M. Cosper, Technical Director, FASB
Wesley R. Bricker, Chief Accountant, SEC – Office of Chief Accountant
Mary Kay Scucci, PhD, CPA, Managing Director, SIFMA