

December 18, 2018

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

By e-mail: director@fasb.org

Re: Proposed Accounting Standards Update—*Codification Improvements—Financial Instruments*

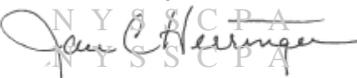
(File Reference No. 2018-300)

Dear Ms. Cospers:

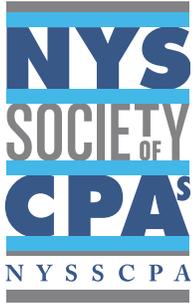
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 25,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Margaret A. Wood, Chair of the Financial Accounting Standards Committee, at (201) 401-7844, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,


Jan C. Herringer
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

***PROPOSED ACCOUNTING STANDARDS UPDATE—CODIFICATION
IMPROVEMENTS—FINANCIAL INSTRUMENTS***

(File Reference No. 2018-300)

December 18, 2018

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New York State Society of Certified Public Accountants

Comments on

Proposed Accounting Standards Update—*Codification Improvements—Financial Instruments*

(File Reference No. 2018-300)

General Comments

We welcome the opportunity to respond to the Financial Accounting Standards Board's (FASB or the Board) invitation to comment on the Proposed Accounting Standards Update—*Codification Improvement—Financial Instruments* (the proposed Update).

We are concerned that the Board provided only thirty days to respond to this substantive document, a period which included Thanksgiving. This may send a signal that the Board is not interested in obtaining comments from parties who have not been closely involved with the relevant issues. This shortened comment period may also discourage many parties from sending comment letters.

Overall, we agree with the proposed Update. Our responses to Questions for Respondents are presented below.

Specific Comments

Topic 1: Codification Improvements Resulting from the June 11, 2018 Credit Losses TRG Meeting

Issue 1A: Accrued Interest

Question 1: Will the amendments in this proposed Update to (a) measure expected credit losses on accrued interest separately from other components of amortized cost basis, (b) make an accounting policy election to present accrued interest amounts separately from the related loan balance, and (c) elect a practical expedient to separately disclose the total amount of accrued interest included in amortized cost basis as a single balance to meet certain disclosure requirements simplify and reduce operational concerns when implementing the guidance in Update 2016-13 related to accrued interest? If not, please explain why you disagree and what changes should be made instead.

Response: Yes, we agree.

Question 2: Do you support the separate accounting policy elections that would allow an entity to choose to (a) write off accrued interest amounts by either reversing interest income or adjusting the allowance for credit losses and (b) elect not to measure an allowance for credit losses on accrued interest if the entity writes off uncollectible accrued interest amounts in a timely manner? If not, please explain why you disagree and what changes should be made instead.

Response: We support the noted accounting policy elections.

Question 3: If you agree with the policy election not to measure an allowance for credit losses on accrued interest if the entity reverses or writes off uncollectible accrued interest amounts in a timely manner, what period would you consider to be timely?

Response: We consider a timely period to be less than ninety days. This is consistent with longstanding practice to determine nonaccrual status.

Issue 1B: Transfers between Classifications or Categories for Loans and Debt Securities

Question 4: Are the proposed amendments related to the transfer of loans and debt securities between classifications or categories operable? If not, please explain why you disagree and what changes should be made instead.

Response: We believe the proposed amendments are operable.

Issue 1C: Recoveries

Question 5: Do the proposed amendments clarify that recoveries are inputs that should be considered when measuring the allowance for credit losses? If not, please explain why you disagree and what changes should be made instead.

Response: Yes.

Question 6: Do the proposed amendments clarify that an entity may record a negative allowance when measuring the allowance for credit losses using the fair value of the underlying collateral in accordance with paragraphs 326-20-35-4 through 35-5?

Response: Yes, though we are uncomfortable with the phrase “negative allowance,” and we are concerned it may be interpreted more broadly than described in the proposed Update.

Question 7: Should an entity be permitted to record a negative allowance when measuring the allowance for credit losses on available-for-sale debt securities? If yes, why?

Response: We believe entities should not be permitted to use negative allowances with available-for-sale debt securities. See also the concern expressed in our Response to Question 6.

Topic 2: Codification Improvements to Update 2016-13

Question 8: Do the proposed amendments clarify the guidance in Update 2016-13? If not, please explain which proposed amendment(s) you disagree with and why.

Response: Yes.

Question 9: Are there other changes that should be made that are directly or indirectly related to the proposed amendments? Please note that the Board will conduct Codification improvement projects on a periodic basis and additional changes may be postponed to a subsequent Codification improvement project.

Response: We have no additional changes to suggest.

Question 10: The proposed amendments would apply to public and nonpublic entities. Would any of the proposed amendments require special consideration for nonpublic entities? If so, which proposed amendment(s) would require special consideration and why?

Response: We believe that none of the proposed amendments require special consideration for nonpublic entities.

Question 11: Should an entity be required to use a prepayment-adjusted effective interest rate if it uses projections of interest rate environments in estimating expected cash flows, including expected prepayments and defaults?

Response: We believe the noted use of a prepayment-adjusted effective interest rate should be optional.

Question 12: How much time would be needed to implement the proposed amendments for an entity that has already adopted Update 2016-13 before these proposed amendments are finalized? What transition method and transition disclosures should be required when adopting these proposed amendments and why?

Response: We believe implementation time will vary by organization. We recommend that the amendments be implemented at the beginning of each entity's first annual period following the Update's issuance. Entities should be given the option of the prospective or retrospective methods, since entities may have already adopted Update 2016-13 when a standard is issued. Disclosures should be required to describe the transition method used and choices made with optional accounting (e.g., see our Response to Question 11), the changes made, and the impact of the changes.

Question 13: Should the effective date and transition requirements for the amendments in this proposed Update align with that of Update 2016-13 for entities that have not yet adopted Update 2016-13 before these proposed amendments are finalized? What transition disclosures should be required when adopting the proposed amendments and why?

Response: On the first question, we agree. On the second question, see our Response to Question 12 as applicable.

Topic 3: Codification Improvements to Update 2017-12 and Other Hedging Items

Question 14: Do the proposed amendments clarify the guidance in Topic 815? If not, please explain which proposed amendment(s) you disagree with and why.

Response: We agree with the proposed amendments except for the proposed change to paragraph 815-20-65-3(e)(7) (i.e., reclassification of debt securities from held-to-maturity to available-for-sale). We believe this change is unnecessary because it simply reiterates established guidance.

Question 15: Are there other changes that should be made that are directly or indirectly related to the proposed amendments? Please note that the proposed Codification improvements related to (a) the change in hedged risk guidance for cash flow hedges discussed at the March 28, 2018 Board meeting and (b) use of the word *prepayable* in the shortcut method guidance discussed at the February 14, 2018 Board meeting will be included in a future proposed Update.

Response: We have no additional changes to suggest.

Question 16: The proposed amendments would apply to public and nonpublic entities. Would any of the proposed amendments require special consideration for nonpublic entities? If so, which proposed amendment(s) would require special consideration and why?

Response: We believe that none of the proposed amendments require special consideration for nonpublic entities.

Question 17: Should partial-term fair value hedging be expanded to all risks eligible for hedge accounting?

Response: We believe that partial-term fair value hedging should not be expanded, as we are concerned with overlapping risks and the difficulties in separating which risks are impacted, which creates the potential for accounting manipulation.

Question 18: Do you agree with the specific considerations for transition and the effective date for the proposed amendments to Topic 815? Please explain why or why not.

Response: We agree, as explained in the proposed Update.

Question 19: Should the proposed amendments to Topic 815 be effective as of the earlier of the beginning of the first quarterly period (if applicable) or the first annual period after the issuance date of a final Update? Would this provide entities with sufficient time to implement these amendments?

Response: We recommend that the proposed amendments be effective as of the beginning of the first annual period after the final Update's issuance. We do not support mid-year adoptions. This should provide sufficient time for implementation, especially as hedge accounting is optional.

Topic 4: Codification Improvements to Update 2016-01

Question 20: Do the proposed amendments clarify the guidance in Update 2016-01? If not, please explain which proposed amendment(s) you disagree with and why.

Response: Yes.

Question 21: Are there other changes that should be made that are directly or indirectly related to the proposed amendments? Please note that the Board will conduct Codification improvement projects on a periodic basis and additional changes may be postponed to a subsequent Codification improvement project.

Response: We have no additional changes to suggest.

Question 22: The proposed amendments would apply to public and nonpublic entities. Would any of the proposed amendments require special consideration for nonpublic entities? If so, which proposed amendment(s) would require special consideration and why?

Response: We believe that none of the proposed amendments require special consideration for nonpublic entities.

Question 23: How much time would be needed to implement the proposed amendments for an entity that has already adopted Update 2016-01 before these proposed amendments are finalized? What transition method and transition disclosures should be required when adopting the proposed amendments and why?

Response: We believe implementation time will vary by organization. We recommend that the amendments be implemented at the beginning of each entity's first annual period following the standard's issuance. Entities should be given the option of the prospective or retrospective methods. Disclosures should be required to describe the transition method used, the changes made, and the impact of the changes.

Question 24: Should the effective date and transition requirements for the proposed amendments align with that of Update 2016-01 for entities that have not yet adopted Update 2016-01 before these proposed amendments are finalized? What transition disclosures should be required when adopting the proposed amendments and why?

Response: We agree with aligning the effective dates and transition requirements with Update 2016-01 for the noted entities. No additional disclosures beyond those in Update 2016-01 should be required.

Topic 5: Codification Improvements Resulting from the November 1, 2018 Credit Losses TRG Meeting

Question 25: Do the proposed amendments clarify how an entity should present line-of-credit arrangements that convert to term loans within the vintage disclosure table requirement in paragraph 326-20-50-6? If not, please explain which proposed amendment(s) you disagree with and why.

Response: Yes.

Question 26: Do the proposed amendments clarify how an entity should consider extension or renewal options (excluding those that are accounted for as derivatives in accordance with Topic 815) that are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the entity? If not, please explain which proposed amendment(s) you disagree with and why.

Response: Yes.