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File Reference No. 2018-300  
Financial Accounting Standards Board  
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**Proposed Accounting Standards Update, Codification Improvements – Financial Instruments (File Reference No. 2018-300)**

Dear Ms. Cospers:

We appreciate the opportunity to comment on the Proposed Accounting Standards Update (ASU), *Codification Improvements – Financial Instruments*, issued by the Financial Accounting Standards Board (FASB or Board).

We generally agree that the proposed amendments would clarify certain aspects of the new guidance on credit losses, hedging, and recognizing and measuring financial instruments. We also agree that it would address certain implementation issues raised by stakeholders. However, we believe that more clarification is needed to make it easier for entities to apply the new guidance and the proposed amendments.

We also encourage the Board to separately consider amending the new guidance on credit losses to reflect the other issues on which the Transition Resource Group for Credit Losses has reached general agreement and decisions the FASB made at public meetings that are currently documented only in meeting minutes.

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Our responses to questions in the proposal are set out in Appendix A. We have included other editorial suggestions in Appendix B.

We would be pleased to discuss our comments with the Board or its staff at your convenience.

Very truly yours,

## **Appendix A – Responses to Questions for Respondents included in the FASB’s proposal**

**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.

We generally believe the proposed amendments related to accrued interest would simplify the guidance and reduce operational concerns. However, we observe that the proposed amendments for accrued interest are in ASC 326-20, in which case they would not apply to available-for-sale (AFS) debt securities because the accounting of AFS debt securities is addressed in ASC 326-30. We encourage the Board to clarify whether the proposed amendments related to accrued interest would also apply to AFS debt securities. Because the definition of amortized cost also applies to AFS debt securities, some of the issues raised by constituents with respect to financial assets measured at amortized cost also could apply to AFS debt securities.

**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.

We support allowing entities to make these accounting policy elections. We agree with the Board’s decision to provide these accounting policy elections to reduce operational complexity for preparers and allow entities to continue current practices.

**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?

We believe the guidance should provide the flexibility for an entity to determine what constitutes timely, based on its facts and circumstances. The factors an entity might consider include the frequency of its financial reporting (i.e., for an entity that prepares quarterly financial statements, timely may mean within three months). However, we believe an entity’s determination of what timely means must be consistent with the overall objective of the guidance – to present a financial asset measured at amortized cost at the net amount expected to be collected. We believe that, if the Board agrees with us on this point, the Board should make the point in either the amendments or the Background Information and Basis for Conclusions.

**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.

While we generally believe the proposed amendments related to the transfer of loans and debt securities between classifications or categories are operable, we believe the Board should clarify the measurement attribute of a debt security upon transfer from AFS to held to maturity (HTM). ASC 320-10-35-10B(d) says, "For a debt security transferred into the held-to-maturity category, using fair value may create a premium or discount ..." This implies that the security is transferred at fair value. However, ASC 320-10-35-10B indicates that at the date of transfer, any allowance for credit losses is reversed through earnings, and the security is transferred at its amortized cost basis, plus or minus the amount of any remaining unrealized holding gain or loss reported in accumulated other comprehensive income (AOCI). That means the amount would not be fair value for a debt security for which an allowance for credit losses was recognized. That's because, in this situation, the amount remaining in AOCI would reflect unrealized losses related to factors other than credit, and it wouldn't be the difference between amortized cost and fair value.

We encourage the Board to clarify its intent for the measurement attribute of these securities upon transfer. We also believe Example 4 in ASC 320-10-55-24 and 55-25 should be revised to address the transfer of a debt security with an allowance for credit losses from AFS to HTM. This would clearly illustrate the FASB's intent.

**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.

We generally believe the amendments would clarify that recoveries are inputs that should be considered when measuring the allowance for credit losses. However, it is unclear which recovery sources could be considered in the credit loss estimate because the FASB isn't proposing to define the term "recoverable amounts." We believe the Board should clarify what can be included as a "recoverable amount" in the measurement of the allowance for credit losses. We recommend that the Board add language saying recoveries could include the following sources but aren't limited to those sources:

- ▶ Cash flows from the borrower, including those arising from the borrower's bankruptcy estate
- ▶ Cash flows resulting from the operation or sale of the collateral securing a loan
- ▶ Proceeds from the sale of nonperforming receivables
- ▶ Payments from guarantors on a receivable, as long as the guarantee was not freestanding

We believe the Board should also clarify whether an entity may recognize a recovery on an accrued interest receivable that was reversed through interest income, pursuant to the election proposed as ASC 326-20-35-8A. In these situations, the recovery would be recognized in the allowance for credit losses and would therefore affect credit loss expense, but the write-off of the related accrued interest would be recognized in interest income.

**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?

We believe the proposed amendments would clarify that an entity may record a negative allowance.

**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?

We believe that an entity should be permitted to record a negative allowance when measuring the allowance for credit losses on an AFS debt security, but this allowance should not result in a carrying value in excess of the security's fair value. We believe the accounting for recoveries should be consistent for assets measured at amortized cost and for AFS debt securities. Additionally, if the Board decides that entities should be required to record a negative allowance on AFS debt securities to reflect expectations of recoveries, the Board should consider clarifying whether and how recoveries should be considered in the estimate of the allowance for debt securities for which an entity recognized an other-than-temporary impairment before adopting ASU 2016-13. The transition guidance currently precludes any other-than-temporary impairment recognized before the adoption of ASU 2016-13 from being reversed at transition and requires recoveries to be recorded in income only when they are received. We also observe that any clarification to this transition provision would affect both AFS and HTM debt securities.

**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.

We generally believe the proposed amendments would clarify the guidance in ASU 2016-13, subject to the comments provided herein.

**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.

We have suggested other changes to the proposed language in Appendix B.

**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?

We do not believe any of the proposed amendments would 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?

We do not believe an entity should be required to use a prepayment-adjusted effective interest rate if it uses projections of interest rates in estimating expected cash flows. While this may potentially result in the recognition of an allowance due to prepayments, requiring the use of a prepayment-adjusted effective interest rate to discount expected future cash flows adds complexity. In addition, we believe such a requirement would limit an entity's flexibility to estimate expected credit losses in a manner that suits its facts and circumstances.

**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?

We believe preparers of financial statements are better suited to provide information about the time needed to implement the amendments. We do not believe additional transition disclosures are required related to the adoption of the proposed amendments.

**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?

We believe the effective date and transition requirements for the proposed amendments should align with those of ASU 2016-13 because many amendments just clarify the Board's intent with respect to determining the estimate of the allowance for credit losses.

We do not believe additional transition disclosures are required related to the adoption of the proposed amendments.

**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.

**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.

We believe the proposed amendments would help to clarify various aspects of the guidance in ASC 815, and we support all of the Codification improvements related to hedge accounting in the Exposure Draft. However, we believe additional clarification is needed on amortizing the fair value hedge basis adjustment in an outstanding partial-term fair value hedging relationship (Issue 3B).

The proposed amendment to ASC 815-25-35-9A would make it clear that an entity that elects to amortize the fair value hedge basis adjustment on an outstanding partial-term hedge in accordance with the guidance in ASC 815-25-35-9 needs to fully amortize the basis adjustment on or before the hedged item's assumed maturity date. But the proposed amendment does not address whether an entity that is hedging selected future fixed-rate interest coupons could begin to amortize the fair value hedge basis adjustment at any point while the hedging relationship is outstanding. We believe the FASB should clarify this point and amend the guidance to say that entities can begin amortizing the basis adjustment at any point while the hedge is outstanding.

Consider an entity that issues a 10-year fixed-rate debt instrument and chooses to hedge only the interest coupons in years 5 through 8, applying the partial-term fair value hedge guidance in ASC 815-20-25-12(b)(2)(ii) and 815-25-35-13B. The guidance in ASC 815-25-35-9A is unclear as to whether the entity would be permitted to begin amortizing the fair value hedge basis adjustment immediately (or at any time before the beginning of year 5) or would be required to wait until the beginning of year 5.

We understand that one of the primary reasons the Board decided to provide the partial-term fair value hedge guidance in ASU 2017-12 was that it believed there should be equitable treatment for partial-term fair value and cash flow hedges. We agree with that decision but note that the Board decided to create more equitable treatment while continuing to maintain separate hedge accounting models for fair value hedges and cash flow hedges (with different accounting mechanics). We therefore believe entities should be able begin amortizing the basis adjustment prior to the beginning of year 5 in the example above, since the entity is hedging the change in the fair value (from hedge inception) of the interest coupons in years 5 through 8 rather than the amount of interest payments to be recognized in those future periods.

However, we note that the above view could potentially be considered to be inconsistent with the measurement guidance for partial-term fair value hedges in ASC 815-25-35-13B, which states that "an entity may measure the change in the fair value of the hedged item attributable to interest rate risk using an assumed term that begins when the first hedged cash flow begins to accrue and ends when the last hedged cash flow is due and payable." Accordingly, we believe the Board should provide additional guidance to address this issue and avoid the potential for diversity in practice.

**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?

We do not believe special consideration for nonpublic entities is needed for the proposed Codification improvements related to hedge accounting.

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

We support the Board's proposal to allow entities to apply the partial-term fair value hedge guidance to a hedge of both interest rate risk and foreign exchange risk. Without this amendment, entities that wish to hedge both interest rate risk and foreign exchange risk in selected contractual cash flows of foreign currency-denominated fixed-rate assets and liabilities would experience the same challenges that led the Board to provide the partial-term fair value hedge guidance for interest rate risk in ASU 2017-12.

We observe that the proposed ASU amends the title of ASC 815-25-35-13B (as well as the text in ASC 815-20-25-12) to indicate that the guidance in that paragraph applies to partial-term hedges of interest rate risk or both interest rate risk and foreign exchange risk. However, we suggest that the language in ASC 815-25-35-13B also be amended to make this point clear.

Further, we see no theoretical reason this guidance would not also apply to fair value hedges of only foreign exchange risk. If the Board believes partial-term hedging is acceptable for fair value hedges of only interest rate risk and both interest rate risk and foreign exchange risk, it stands to reason that it would also be acceptable for hedges of only foreign exchange risk. As such, we believe the guidance should be amended to also allow hedges of only foreign exchange risk to be accounted for using the partial-term hedge accounting guidance.

Additionally, we believe the partial-term hedge accounting guidance should also apply to hedges of changes in the overall fair value of the hedged item in accordance with ASC 815-20-25-12(e) and (f)(1).

**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.

We agree with the proposed transition and effective date for entities that have not yet adopted the amendments in ASU 2017-12. (See our response to Question 19 for our view on the proposed effective date for entities that have already adopted ASU 2017-12.)

We also support the proposal to give entities that have already adopted the amendments in ASU 2017-12 the flexibility to generally apply all of the proposed amendments related to hedge accounting either on a prospective basis or on a retrospective basis as of the date of adoption of ASU 2017-12. However, we believe certain additional clarifications are needed with respect to how the proposed transition for these entities would be applied.

With respect to entities that elect to adopt eligible proposed amendments prospectively, we believe it is the Board's intent that the amendments could be applied prospectively to existing hedging relationships (i.e., not just to new or redesignated hedging relationships entered into on or after the date an entity adopts the proposed amendments, as is often the case for prospective transition for hedge accounting guidance). If this is the Board's intent, we believe the final guidance should make this clear.

We note that the proposed amendments would allow an entity to retrospectively designate a hedging relationship between the date it adopted ASU 2017-12 and the effective date of this final guidance for existing eligible hedging instruments and existing eligible hedged items or forecasted transactions. The proposal limits an entity's ability to retrospectively designate hedging relationship to those relationships that would have been affected by the following three proposed amendments:

- ▶ The proposed amendment to ASC 815-20-25-12(b)(2)(ii) that would clarify that an entity may designate and measure the change in fair value of a hedged item attributable to both interest rate risk and foreign exchange risk in a partial-term fair value hedge
- ▶ The proposed amendment to ASC 815-30-35-26 that would clarify that an entity should consider the contractually specified interest rate being hedged when applying the hypothetical derivative method
- ▶ The proposed amendment to ASC 815-20-55-33G that would clarify that the application of the first-payments-received cash flow hedging technique to overall cash flows on a group of variable interest payments continues to be permitted

We believe an entity should also be permitted to retrospectively designate a hedging relationship that would have been affected by the proposed guidance in ASC 815-25-35-13B clarifying that one or more separately designated partial-term fair value hedging relationships of a single financial instrument can be outstanding at the same time. As with the three items listed above, retrospective designation would only be allowed for eligible hedging instruments and hedged items that existed at that time. If the Board decides not to permit such hedges to be retrospectively designated, it should consider explaining in the Basis for Conclusions the rationale for its decision.

We also question why the proposed amendment to ASC 815-20-65-3(e)(1) is not required to be applied in a manner consistent with the approach for the proposed amendment to ASC 815-20-65-3(e)(2). The proposed amendment to ASC 815-20-65-3(e)(1) clarifies that any transition adjustment to amend the measurement methodology of the hedged item in a fair value hedge of interest rate risk upon the entity's adoption of ASU 2017-12 should have been made as of the date of initial application for that ASU, not the date of adoption. As such, requiring an entity that early adopted ASU 2017-12 in an interim period to adjust its cumulative-effect adjustment for this clarification seems to be consistent with the Board's rationale (discussed in paragraph BC 86) for the transition required for adjustments associated with an entity's decision to rebalance its fair value hedges based on the proposed amendment to ASC 815-20-65-3(e)(2).

**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?

While this question may be better answered by preparers, we agree with the proposed effective date for entities that have already adopted ASU 2017-12. Given the nature of the proposed amendments, we believe an effective date 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 will provide these entities with sufficient time to implement these amendments.

In fact, because many of the proposed amendments represent views the FASB staff has previously provided, either at public Board meetings or in direct response to entities that made technical inquiries of the staff, we believe many early adopters of ASU 2017-12 are already applying these clarifications (if applicable).

**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.

We generally believe the proposed amendments would clarify the guidance in ASU 2016-01.

However, we believe further clarification is needed on the proposed amendment to ASC 830-10-45-18, which states that “the historical rate to be used should be the exchange rate as of the acquisition date or the most recent date on which the equity security was adjusted to fair value in accordance with paragraphs 321-10-35-2 through 35-3, if applicable.” We believe the historical rate to be used should be the *later of* the exchange rate as of the acquisition date or the most recent date on which the equity security was adjusted to fair value, in order to clarify that the rate to be used is a requirement and not an election.

**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.

We believe two areas indirectly related to the proposed amendments require further clarification.

ASC 325-30-25-1A, which relates to the exchange of mutual membership interests for stock in a demutualization, says, “An entity shall recognize stock received from a demutualization and subsequently follow the guidance in Subtopics 320-10 or 323-10 as applicable.” We believe this paragraph requires updating for ASU 2016-01 and should be amended to reference ASC 321-10 instead of 320-10.

ASC 942-320-50-2 includes equity securities on a list of major security types that depository and lending institutions must include to comply with certain ASC 320 disclosure requirements. As ASU 2016-01 removes equity securities from ASC 320, we believe the Board should clarify whether equity securities should continue to be included as a major security type in ASC 942-320-50-2. Additionally, ASC 942-320-50-2A says, “Investments in mutual funds that invest only in U.S. government debt securities may be shown separately rather than grouped with other equity securities in the disclosures by major security type required by paragraph 942-320-50-2.” As noted above, it is unclear whether equity securities should continue to be a major security type and therefore we believe the Board should also provide clarification on its intent for disclosures of investments in mutual funds that invest only in U.S. government debt securities.

**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?

We do not believe any of the proposed amendments would 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?

We believe preparers of financial statements are better suited to provide information about the time needed to implement the amendments.

Entities that have adopted ASU 2016-01 should adopt the proposed amendments prospectively with the exception of the amendment made to ASC 830-10-45-18 to remeasure foreign-currency-denominated equity securities without readily determinable fair values accounted for under ASC 321-10-35-2 at the historical exchange rate. We believe entities should adopt the proposed amendment to ASC 830-10-45-18 on a modified retrospective basis. That is, entities would record the effect of that proposed amendment through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective.

We believe the amendment to ASC 321-10-35-2 on the applicability of ASC 820 to the measurement alternative should be adopted on a prospective basis to be consistent with the transition provisions in ASU 2016-01 for those investments.

We do not believe additional transition disclosures are required related to the adoption of the proposed amendments.

**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?

We believe the effective date and transition requirements for the proposed amendments should align with that of ASU 2016-01 for entities that have not adopted ASU 2016-01 before the proposed amendments are finalized. We do not believe additional transition disclosures are required related to the adoption of the proposed amendments.

**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.

We support the Board's decision to present line-of-credit arrangements that are converted to term loans in the year of the most recent credit decision because this provides the most useful information to users of the financial statements. However, we believe the "most recent credit decision" referenced in ASC 326-20-50-6A may not be interpreted consistently by preparers. We suggest the Board clarify that if the conversion of a line-of-credit arrangement to a term loan is accounted for as a new loan based on the guidance in ASC 310-20-35-9 through 35-12, the term loan should be presented in the year that new loan is originated. We agree with the Board's decision to present line-of-credit arrangements that automatically convert to term loans pursuant to the original agreement (i.e., without an additional credit decision) and TDRs in a separate column in order to reduce operational complexity for preparers while providing useful information to users.

**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.

We believe the proposed amendments clarify how an entity should consider the noted extension or renewal options. We support the Board's decision to require entities to consider the noted extension or renewal options in determining the contractual life of an asset because these options are within the contractual lending arrangement and can extend the period over which an entity is exposed to credit risk.

## **Appendix B – Editorial comments about the Proposed ASU, *Codification Improvements – Financial Instruments***

We recommend the following clarifications to the language in the proposal (page references are to the proposed ASU):

1. ASC 326-20-30-5A (see page 26) should be modified to clarify that the applicable accrued interest is written off when it is deemed uncollectible:

“**ASC 326-20-30-5A** An entity may make an accounting policy election, at the class of financing receivable or the major security-type level, not to measure an allowance for credit losses for accrued interest receivables if the entity writes off the uncollectible applicable accrued interest receivable balance in a timely manner. This accounting policy election should be considered separately from the accounting policy election in paragraph 326-20-35-8A.”

2. The election noted in ASC 326-20-45-5 (page 27) should be presented as an accounting policy election consistent with the language in other areas of US GAAP that provide for a policy election:

“**ASC 326-20-45-5** For financial assets measured at amortized cost and net investments in leases within the scope of this Subtopic, an entity may elect make an accounting policy election to separately present on the statement of financial position or within another statement of financial position line item the entire accrued interest receivable balance net of the allowance for credit losses (if any) if the entity meets the disclosure requirements in paragraph 326-20-50-3A.”

3. The following edit is needed in the sentence added (the last sentence) to ASC 310-10-35-47 (page 28) to direct a reader to the guidance on the presentation of accrued interest and related accounting policy elections in ASC 326-20:

“**ASC 310-10-35-47** See Subtopic 326-20 for guidance on the measurement of credit losses and the presentation of accrued interest receivables related to for financial instruments measured at amortized cost.”

4. ASC 310-10-35-48 (see pages 28 and 29) should be modified to include finance receivables resulting from net investments in leases as it is unclear whether other assets in the scope of ASC 310 can be presented as held for sale:

“**ASC 310-10-35-48** Nonmortgage loans, trade receivables and finance receivables resulting from net investments in leases held for sale shall be reported at the lower of amortized cost basis or fair value ... This paragraph applies only to nonmortgage loans, trade receivables and finance receivables resulting from net investments in leases ...”

The related paragraphs in ASC 310 should also be clarified to be inclusive of all assets in the scope of ASC 310 (e.g., loans, trade receivables, finance receivables from leases).

5. An error in the first sentence in ASC 320-10-35-10B(b) (page 31) that incorrectly references available-for-sale instead of held-to-maturity should be corrected as follows:

**“ASC 320-10-35-10B(b)** Reclassify and transfer the debt security to the ~~available-for-sale~~ held-to-maturity category.”

6. ASC 326-20-30-1 (see page 35) should be modified to replace the phrase “and expected to be written off” with “and the current allowance for credit losses” in order to clarify the aggregate amount of recoveries an entity may recognize. We would expect amounts that an entity expects to write off to be recognized in the allowance for credit losses. See proposed revisions to the affected paragraphs below:

**“ASC 326-20-30-1** The allowance for credit losses is a valuation account that is deducted from, or added to, the amortized cost basis of the financial asset(s) to present the net amount expected to be collected on the financial asset. Recoverable amounts included in the valuation account shall not exceed the aggregate of amounts ~~previously~~ written off ~~and expected to be written off~~ by the entity and the current allowance for credit losses.”

7. We believe the following edit may be needed to clarify the transition guidance (page 64) for entities that have adopted the amendments in Update 2017-12 and will early adopt the proposed amendments on a retrospective basis:

**“ASC 815-20-65-5 (e)** For an entity that has adopted the amendments in Update 2017-12 before the issuance date of Update 201X-XX and reflects the amendments on a retrospective basis in accordance with (c) above, new hedging relationships may be retrospectively designated between the date of the adoption of amendments in Update 2017-12 and the date of adoption effective date of Update 201X-XX in accordance with (a) above for existing eligible hedging instruments and existing eligible hedged items or existing eligible forecasted transactions related to the amendments in paragraph 815-20-25-12(b)(2)(ii), 815-30-35-26, or 815-20-55-33G.”