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July 25, 2019

Mr. Shayne Kuhaneck
Acting Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference No. 2019-710

Dear Mr. Kuhaneck:

RSM US LLP is pleased to provide feedback on the proposed Accounting Standards Update (ASU), *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. We appreciate the efforts the Financial Accounting Standards Board is putting forth to improve the guidance related to the credit losses standard and to ease the implementation of it. Our responses to the specific questions raised in the proposed ASU follow.

Responses to Questions for Respondents

General Questions

Question 1: *Should other changes be made that are directly or indirectly related to amendments in this proposed Update? 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 are not aware of other changes that are necessary at this time.

Question 2: *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 are not aware of any proposed amendments that require special consideration for nonpublic entities.

Issue 1: Negative Allowance for PCD Assets

Question 3: *Should an entity be permitted to record a negative allowance (basis recovery) when measuring the allowance for credit losses for purchased financial assets with credit deterioration?*

Consistent with the provisions of ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments,* we believe the recording of a negative allowance should be permitted when measuring the allowance for credit losses for purchased financial assets with credit deterioration.

Question 4: *Should a negative allowance (basis recovery) for PCD assets be limited to the amortized cost basis previously written off and expected to be written off by the entity? If not, please explain why and what changes should be made instead.*

We are in agreement that a negative allowance for PCD assets should be limited to amounts that the entity previously wrote off or is expected to write off. We also believe it would be beneficial to clarify proposed paragraph 326-20-30-13A by inserting the following underlined words:

> The allowance for credit losses for purchased financial assets with credit deterioration shall include expected recoveries of the amortized cost basis previously written off and expected to be written off and shall not exceed the aggregate of amounts previously written off and expected to be written off <u>by the entity</u>.

Question 5: *Should the recognition of a negative allowance (basis recovery) be extended to available-for-sale (AFS) debt securities? Please explain why and what changes, if any, should be made instead.*

We believe it would be beneficial to extend the negative allowance provisions of Subtopic 326-20 to AFS debt securities, given that through the reference in paragraph 326-30-35-13, AFS debt securities are subject to the same write-off guidance as financial assets that are subject to Subtopic 326-20.

Issue 2: Transition Relief for TDRs

Question 6: *Should an entity be permitted to adjust the effective interest rate on existing TDRs using prepayment assumptions on the date of adoption of Topic 326 rather than the prepayment assumptions in effect immediately before the restructuring? If not, please explain why and what changes, if any, should be made instead.*

We agree with this proposed transition relief given the difficult and time-consuming process it would otherwise be to arrive at prepayment assumptions as of the time of the restructuring for each TDR in existence at the date of adoption.

Issue 3: Disclosures Related to Accrued Interest Receivables

Question 7: *Will the proposed amendment to permit an election of a practical expedient to disclose the total amount of accrued interest receivables separately from other components of amortized cost basis for certain disclosure requirements simplify and reduce operational concerns when implementing the guidance in Update 2016-13?*

We are in agreement with the proposed amendments related to accrued interest receivable disclosures as this flexibility should reduce operational concerns that may exist.

Issue 4: Financial Assets Secured by Collateral Maintenance Provisions

Question 8: *Do you support the proposed amendments to clarify the application of the collateral maintenance practical expedient in accordance with paragraph 326-20-35-6? If not, please explain why and what changes, if any, should be made instead.*

We support the proposed amendments to paragraph 326-20-35-6 as we believe it is important to clarify that consideration should be given to whether the borrower will continue to replenish the collateral.

Transition and Effective Date

Question 9: *Will the proposed effective dates provide sufficient time for entities to implement the proposed amendments? If not, please explain why and how much time would be needed to adopt the proposed amendments.*

We defer to reporting entities to weigh in on the sufficiency of time that the proposed effective dates would allow.

Question 10: *Do you support the proposed transition method and transition disclosures when adopting the proposed amendments? If not, please explain why and what transition method and disclosure changes should be required instead.*

We are in agreement with the proposed transition method and disclosures.

We appreciate this opportunity to provide feedback on the proposed ASU and would be pleased to respond to any questions the Board or its staff may have concerning our comments. Please direct any questions to Rick Day at 563.888.4017 or Faye Miller at 410.246.9194.

Sincerely,

RSM US LLP

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