July 26, 2019

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

Re: File Reference No. 2019-710 – Codification Improvements to Topic 326, Financial Instruments – Credit Losses

Dear Mr. Kuhaneck:

JPMorgan Chase & Co. appreciates the opportunity to comment on the Proposed Accounting Standards Update, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* (the "Proposed Update"). JPMorgan Chase commends the FASB for its ongoing efforts to improve and clarify the guidance issued in ASU 2016-13.

We generally support the Board's decisions as detailed in the Proposed Update. However, please see our responses to the FASB's Questions for Respondents within the Appendix where we have outlined a few recommended amendments and clarifications for the Board's consideration.

We appreciate the opportunity to submit our views. We would be pleased to discuss our comments with you at your convenience.

Sincerely yours,

Bret Dooley

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Appendix – Questions for Respondents

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.

No, we generally are not aware of any other changes that are directly or indirectly related to the amendments in this Proposed Update that the Board should consider at this time. However, refer to our responses to Questions 4, 5 and 7 below for certain amendments and clarifications that may be required.

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?

Not applicable.

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?

Yes, we believe recording a negative allowance for credit losses should be permitted for PCD assets. In line with the Board's stated objectives, we believe that, aside from the required initial day 1 gross up, the guidance for PCD assets should be consistent with the guidance for non-PCD assets.

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.

Yes, we believe that any negative allowance for credit losses recorded for PCD assets should consider the amortized cost of the asset that the entity expects to recover, limited to the cumulative amount of prior write-offs and amounts expected to be written off, consistent with the guidance for non-PCD assets.

We recommend deleting the second sentence in paragraph 326-20-30-13A as we expect that application of this guidance would only serve to reinforce the consistent approach for PCD and non-PCD assets, consistent with the Board’s stated intent. However, we believe the introduction of different words for PCD assets could cause confusion and lead to inconsistency in application by preparers. Alternatively, if the second sentence in paragraph 326-20-30-13A is retained, we recommend providing an example to illustrate the intended difference in application between PCD and non-PCD assets.

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.

Yes, we believe that recognition of a negative allowance should be extended to AFS debt securities. While we understand that differences exist between the AFS debt securities model and ASC 326-20, we do not see a conceptual basis for an intentional divergence in the treatment of recoveries, particularly when the guidance for write-offs remains aligned between ASC 326-20 and ASC 326-30. Further, we believe the application of the negative allowance guidance should be limited to write-offs recorded due to an amount being deemed uncollectible in accordance with ASC 326-30-35-13. Negative allowance guidance should not be extended to other write-downs such as write-downs due to an intent to sell or a more-likely-than-not requirement to sell made in accordance with ASC 326-30-35-10, which could result in certain income statement geography anomalies.

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If the Board does not extend the negative allowance guidance to AFS debt securities, we believe the Board should provide explicit guidance on how to account for recoveries from AFS debt securities, which was removed in the various amendments related to this issue (in ASU 2019-04, paragraph 326-30-35-13 was amended to remove the cross-reference for AFS securities to apply ASC 326-20 guidance on recoveries). Given this edit, and the fact that the explicit recoveries guidance in current GAAP in ASC 310-10-35-41 was superseded by ASU 2016-13, it appears there is no explicit guidance on how to account for recoveries from AFS debt securities.

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.

Yes, we agree that an entity should be permitted to adjust the effective interest rate on existing TDRs using prepayment assumptions on the date of adoption of Topic 326. We agree that this transition relief would reduce the operational burden of attempting to recreate the appropriate economic assumptions that existed immediately before the restructuring date.

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?

Yes, we agree that 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 will simplify and reduce operational concerns.

We encourage the Board to expand this practical expedient to include other amortized cost disclosures that would be similarly impacted. For example, we believe this practical expedient should be expanded to include Subtopic 825-10, which requires the carrying value (i.e., amortized cost less allowance for credit losses) of certain financial instruments to be presented. As many entities may have presented accrued interest receivables separately in the past for these instruments, we believe it would be appropriate to allow entities to continue to maintain consistent presentation to enhance comparability both with historical financial statements and across disclosures of related amounts upon CECL adoption.

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.

Yes, we support the proposed amendments to clarify the application of the collateral maintenance practical expedient.

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.

Yes, we agree that the proposed effective dates will provide sufficient time for entities to implement the proposed amendments.

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.

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Yes, we agree that the effective date and transition requirements of the proposed amendments should align with the effective date and transition requirements for ASU 2016-13.