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September 16, 2019

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

Via Email to director@fasb.org

Re: File Reference No. 2019-750

Dear Mr. Kuhaneck:

Grant Thornton LLP appreciates the opportunity to comment on proposed Accounting Standards Update (ASU), *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*.

We agree with the Board's objective to provide staggered effective dates for adopting accounting standards, especially when an accounting standard is a significant change to an accepted accounting model, as was the case for the recent leases and credit losses standards. We also agree with the Board's objective of having a clearly defined group of reporting entities that will be eligible for a deferred effective date.

Our responses to the questions for respondents are as follows.

Question 1: Is the two-bucket approach described and applied in this Update understandable? If not, please explain why.

The two-bucket approach described and applied in this proposed ASU is understandable. However, we believe that the Board should clarify which bucket would be appropriate for employee benefit plans that meet the definition of an SEC filer. As currently discussed in the proposed ASU, *all* employee benefit plans are classified in bucket two.

We further suggest that the Board gather investor feedback about which bucket would be appropriate for not-for-profit entities that have issued or are conduit bond obligors for securities that are traded, listed, or quoted on an exchange or an over-the-counter

market, as well as entities undertaking an initial public offering process. As currently discussed in the proposed ASU, all not-for-profit entities would fall in bucket two. In addition, entities undertaking an initial public offering process, and that do not have an effective registration statement, would not meet the definition of an SEC filer and would also fall in bucket two.

Question 2: Should the population of SEC filers that are afforded a delayed effective date (that is, excluded from bucket one) be entities eligible to be SRCs as defined by the SEC? If not, what definitional threshold, if any, do you suggest and why?

We agree that the population of SEC filers that are excluded from bucket one can be defined as smaller reporting companies (SRCs) as defined by the SEC. The Board might, however, consider using an alternative threshold, such as the threshold for accelerated filers rather than for SRCs. The SEC has issued a proposed rule that, if adopted, would revise the definition of “accelerated filer” by increasing the classification thresholds required to be classified as accelerated filer. The SEC’s proposed rule indicates that the proposed revision is intended to address feedback received by the SEC regarding high compliance costs and other challenges encountered by smaller entities that are currently classified as accelerated filers. We believe that many of these entities have also consistently provided feedback to the FASB asking for more time to implement significant or complex new accounting standards.

Question 3: Should the determination of whether an entity is eligible to be an SRC be based on its most recent determination in accordance with SEC regulations as of the date that a final Update is issued? If not, what determination date should be applied?

In our view, the determination of whether a reporting entity is eligible to be an SRC should be based on a clearly defined date so that the effective date for implementing a new standard would not change based on any subsequent change in status. Therefore, using the SRC determination as of the date of the issuance of a final update would be an acceptable approach. The same approach could be applied to determine the accelerated filer status, if the Board decides to use that threshold instead.

Question 4: Should Credit Losses be effective for entities eligible to be SRCs, private companies, not-for-profit organizations, and employee benefit plans for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years? If not, please explain why.

We agree with the deferred effective date of the credit losses standard.

Question 5: Should Hedging be effective for all entities other than public business entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021? If not, please explain why.

We agree with the deferred effective date for the hedging standard.

Question 6: Should Leases be effective for (a) private companies, (b) not-for-profit organizations (excluding those that have issued or are conduit bond obligors for securities that are traded, listed, or quoted on an exchange or an over-the-counter market), and (c) employee benefit plans (excluding those that file or furnish financial statements with or to the SEC) for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021? If not, please explain why.

We agree with the deferred effective date for the leases standard.

Question 7: This question is for future major Updates and not the amendments in this proposed Update. Under the revised effective date philosophy, certain public business entities, including SRCs, and nonpublic business entities would have a deferred effective date. Should interim reporting be required in the same year as the annual financial statements or in the subsequent year for these entities when they provide interim financial statements?

We believe interim reporting should be required in the same year as the annual financial statements, since a two-year deferral of the effective date would provide sufficient time for reporting entities that prepare interim financial statements to be able to adopt a new accounting standard in the same year as annual financial statements. Requiring application in interim periods during the year of adoption would be consistent with the Board's intent to provide a two-year delay, since entities in bucket one have to adopt in interim periods during the year of adoption (for example, Q1 of the adoption year for bucket one is two years ahead of Q1 of the adoption year for bucket two). A requirement to adopt in the interim periods within the subsequent year would be providing a three-year lag for interim reporting (the first quarter reflecting the new standard for bucket one would be three years ahead of the first quarter reflecting the new standard for bucket two) and therefore would be inconsistent with the Board's objective of providing a two-year delay. In addition, since the number of reporting entities in bucket two that will be presenting interim financial statements would be higher due to the inclusion of SRCs, an adoption method that is the same as that for large public companies, albeit with a delayed effective date, would be more appropriate.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Rahul Gupta, Partner, at 312 602 8084 or rahul.gupta@us.gt.com or Graham Dyer, Partner, at 312 602 8107 or graham.dyer@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP