September 16, 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. 2019-750

Dear Mr. Kuhaneck:

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

We support the proposed delay in effective dates of major standards for certain companies. We believe this will allow more time for smaller entities to effectively and efficiently implement these standards, and afford these entities the opportunity to utilize the knowledge and experience gained from larger public company implementation.

We also support the proposed bucket approach based on the FASB's definition of "SEC filer" and the SEC's definition of "smaller reporting company" (SRC). We believe that utilizing these definitions is appropriate, since they are generally understood by preparers and should help alleviate some confusion that exists under the current transition guidance based on the Public Business Entity (PBE) definition.

For consistency, we recommend that the Board consider defining transition guidance using the new approach for all future standards, not just major standards. We believe the new approach, combined with allowing early adoption for all standards, will provide a measure of consistency with the flexibility necessary for companies to respond to stakeholder expectations on adoption dates. The Board could retain flexibility in setting transition requirements for non-major standards by limiting the time period between the adoption dates for companies in each of the buckets. Going forward, we recommend that the Board consider using the PBE definition only for Private Company Council (PCC) alternatives.

The Appendix contains our detailed responses to the Questions for Respondents and an additional suggestion related to the amendments in ASC 326-10-65-1.

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If you have any questions regarding our comments, please contact David Schmid at (973) 997-0768 or Maria Constantinou at (908) 447-5556.

Sincerely,

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Appendix

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

Yes. We support the two-bucket approach as described and applied in the ASU. The proposed approach utilizes the FASB's definition of "SEC filer" and the SEC's definition of "smaller reporting company," which are generally understood by preparers. We believe that determining effective dates based on these definitions will help alleviate some confusion that exists under the current approach based on the PBE definition.

For consistency, we recommend that the Board consider using the new approach for all future standards, not just major standards. We believe the new approach, combined with allowing early adoption for all standards, will provide a measure of consistency with the flexibility necessary for companies to respond to stakeholder expectations on adoption dates. The Board could retain flexibility in setting transition requirements for non-major standards by limiting the time difference between the adoption dates for companies in each of the buckets. Going forward, we recommend that the Board consider using the PBE definition only for PCC alternatives.

We recommend that the Board clarify how an entity pursuing an initial registration statement would apply the new guidance. Confusion may exist as to whether such an entity would be considered an "SEC filer" per the Master Glossary definition prior to its initial registration statement becoming effective. Additionally, it would be helpful to clarify how emerging growth companies (EGCs) would transition in their interim and annual filings if their EGC status changes. Although we realize that this proposal does not specifically address EGCs, we believe it would be important to address the application of the principle to non-SRC EGCs that lose their EGC status after issuance of a final ASU. Absent further guidance, it appears that application of the principle set forth in the exposure draft would shift these entities from bucket two to bucket one. It would be helpful if explicit guidance is provided.

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?

Yes. We believe that affording a delayed effective date to public entities eligible to be SRCs is appropriate. We believe that permitting early adoption is a key component of the proposal. Some SRCs may choose to adopt a particular accounting standard at the same time as larger public companies for various reasons (e.g., comparability to other SEC filers, analyst expectations).

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?

Yes. We support using an entity's most recent SRC assessment in accordance with SEC regulations as of the date that a final ASU is issued. We agree with freezing an SRC entity's status such that an entity that loses its SRC status after the determination date would not have to move its adoption date forward. We note, however, that this principle would also result in an earlier adoption date for a company that were to become an SRC after a final ASU is issued as compared to a company that loses SRC status after a final ASU is issued.

See our response to Question 1 for other comments about changes in status.

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.

Yes, we support the proposed effective date for the credit losses guidance.

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.

Yes, we support the proposed effective date for the hedging guidance.

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.

Yes, we support the proposed effective date for the leases guidance.

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 that interim reporting for entities included in bucket two should be required within the same year as the annual financial statements for new standards. Because these entities are being afforded extra time to implement major standards, we believe that doing so for the first interim reporting period within the annual period should be feasible. However, as the effective date for the hedging and leases standards had been previously established as interim periods after the annual period, we support retaining that approach for those standards.

Other suggested edit

The amendments for Credit Losses in ASC 326-10-65-1 state that bucket one includes "*public business entities* that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC." However, other areas of the exposure draft, including the Summary and Basis for Conclusions, do not mention "public business entities," and instead state that bucket one includes SEC filers, excluding entities eligible to be SRCs. The Basis for Conclusions is also consistent with the wording used in Proposed Accounting Standards Update—*Financial Services—Insurance (Topic 944): Effective Date*. As we are not aware of a reason for the difference, we suggest amending the wording in ASC 326-10-65-1 to be consistent with the Basis for Conclusions and the insurance proposal. The scope of entities in bucket one would be "U.S. Securities and Exchange Commission (SEC) filers, excluding entities eligible to be smaller reporting companies as defined by the SEC."