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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

File Reference No. 2019-750

Dear Mr. Kuhaneck:

RSM US LLP is pleased to provide feedback on the proposed Accounting Standards Update (ASU), *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates.* We appreciate the Board's responsiveness to concerns raised with the effective dates as currently stated. Our responses to the specific questions raised in the proposed ASU follow, together with one additional comment for your consideration.

Responses to Questions for Respondents

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

Yes. We believe the two-bucket approach is understandable.

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?*

In addition to affording a delayed effective date to SRCs, we believe it would be preferable to also extend the delayed effective dates to all entities that are not large accelerated filers or accelerated filers, as defined by the SEC. In other words, bucket one would consist of large accelerated filers and accelerated filers that are not SRCs and bucket two would consist of all other entities. While all entities should be allowed to early adopt an Update, larger reporting companies that are required to file on an accelerated basis generally would be most equipped to adopt new standards on an accelerated basis.

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?*

While, as noted in our response to Question 2, we believe the population afforded a delayed effective date should also be based on accelerated filer status rather than just on SRC eligibility, we do agree that the eligibility determination should be based on the most recent determination in accordance with SEC regulations as of the date that a final Update is issued. We believe this approach alleviates uncertainty and unanticipated acceleration in the effective date as a result of market swings and other factors that are beyond the entity's control.

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 proposed effective dates; however, as previously stated, we prefer the population afforded a delayed effective date be based on accelerated filer status in addition to SRC eligibility. As more fully explained in our response to Question 7, we generally believe major Updates should be effective in interim periods following the year of adoption. However, due to the significant impact CECL has on the financial institutions industry, we understand the reason for CECL interim reporting being required in the fiscal year of adoption. Given that entities concerned with the complexity of dual reporting have the ability to early adopt, a viable alternative would be to remain consistent with the other standards and make the CECL standard effective in interim periods following the year of adoption.

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 proposed effective dates.

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 proposed effective dates.

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 it would be preferable to have the interim effective dates be in the year following the year of adoption. We also believe there should be an option to early adopt an Update in an interim period to accommodate situations where entities deem it beneficial to do so based on their individual facts and circumstances. There are several situations in which private companies are required to provide interim GAAP-based financial statements to lenders or other creditors, and they initially may not have the appropriate internal resources, systems or processes in place for interim reporting during the year of adoption. Such entities would benefit from a year-end adoption, when there is likely more involvement by auditors and advisers.

Additional comment

Paragraph BC59 of ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350)*, states:

> All respondents noted that the guidance in this Update would be quick to implement. However, the Board discussed the relationship of the goodwill impairment test with the guidance on credit losses in Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*.

We therefore suggest the Board consider delaying the effective date of ASU 2017-04 in a manner consistent with the effective date for Credit Losses as discussed in our response to preceding Question 4.

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 regarding this letter to Rick Day at 563.888.4017 or Mike Lundberg at 612.455.9488.

Sincerely,

RSM US LLP

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