

KPMG LLP 345 Park Avenue New York, N.Y. 10154-0102

Telephone Fax Internet +1 212 758 9700 +1 212 758 9819 www.us.kpmg.com

August 2, 2013

Ms. Susan M. Cosper Technical Director Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

RE: Proposed Accounting Standards Update, "Technical Corrections and Improvements Related to Glossary Terms" (File Reference No. 2013-240)

## Dear Ms. Cosper:

We appreciate the opportunity to comment on the proposed Accounting Standards Update, *Technical Corrections and Improvements Related to Glossary Terms* (the Proposed ASU). We support the efforts of the Board to continually improve the *FASB Accounting Standards Codification*® by establishing a standing project for Technical Corrections and Improvements. We also support the Board's efforts to improve the Codification's Master Glossary by eliminating redundant and unused terms. While we generally agree with the proposed amendments to Master Glossary terms and related Codification paragraphs, we believe the Board should further clarify certain amendments.

## Enhanced-Crediting-Rate Bonus and Enhanced-Yield Bonus

The Board is proposing to delete the term *enhanced-crediting-rate bonus*, replace it with *enhanced-yield bonus*, and add glossary links to the Master Glossary term *enhanced-yield bonus*. Consistent with these proposed changes, we believe the Board also should change *enhanced crediting rate sales inducement* in ASC paragraph 944-40-55-13 to *enhanced-yield bonus* and add a link to the corresponding definition.

### Front-End Sales Load

The Board is proposing to delete the term *front-end sales load* because it is not linked in the Codification. Although the term *front-end sales load* is not used in the Codification, the term *front-end load* is used in ASC paragraph 946-10-05-05 (which was relocated to pending content ASC paragraph 946-20-05-1D by ASU 2013-08). Additionally, the term *front-end sales fee* is used throughout ASC Topic 946. We note that the term *front-end sales charge (load)* is commonly used in the mutual fund industry, including in SEC guidance and SEC Form N-1A, and we recommend that the FASB use that term in place of both *front-end sales load* and *front-end sales fee* to clarify that the Codification term is equivalent to the term used in the mutual fund industry and SEC guidance. Please refer to the attached Appendix A which provides further detail on our recommendations.

Technical Director Financial Accounting Standards Board August 2, 2013 Page 2

## Repurchase Agreement

The Board is proposing to modify Definition 2 of repurchase agreement to clarify its applicability and rename the term repurchase agreement accounted for as a collateralized borrowing; replace certain links to Definition 1 with links to the amended Definition 2; and replace certain links to Definition 2 with links to Definition 1. We agree that the definition of repurchase agreement should be modified to clarify its applicability and renamed. However, we believe additional clarity could be achieved by modifying both Definitions 1 and 2.

In addition, the term reverse repurchase agreement is used in the same context as Definition 2 of repurchase agreement; therefore, we believe the definition of reverse repurchase agreement also should be modified.

Currently, ASC paragraph 210-20-45-11 uses the terms *repurchase agreements* and *reverse repurchase agreements* throughout the subparagraphs and includes links to those terms in ASC subparagraph 210-20-45-11(f). We suggest removing the glossary links from ASC subparagraph 210-20-45-11(f) and adding glossary links to ASC paragraph 210-20-45-11 to indicate that the terms used in all subparagraphs are intended to have the same meaning as the glossary terms.

Please refer to the attached Appendix B which provides further detail on our recommendations.

## **Transferred Financial Assets**

The Board is proposing to amend the definition of *transferred financial assets* to clarify that transfers of any of the assets listed in the definition constitute transferred financial assets. However, the proposed definition in paragraph 360 of the Proposed ASU refers to the transfer of the asset rather than describing the asset itself. We believe the existing Master Glossary definition is appropriate. However, if the definition is modified, we recommend modifying the definition as follows:

Any of the following assets once it has been the subject of a transfer:

- a. An entire financial asset
- b. A group of entire financial assets
- c. A participating interest in an entire financial asset.

### Fair Value

The Board is proposing that the term *fair value* be renamed *share-based payment value* where the term originated from FASB Statement No. 123 (revised 2004), *Share-Based Payment*. While we support the Board's proposal to rename the term, we believe that the proposed term is cumbersome. We recommend that the Board use the term *market-based measure*, which is consistent with the term used by the IASB in paragraph 30 of IFRS 3, *Business Combinations*, when referring to the measurement of share-based payment transactions in a business combination.

Technical Director Financial Accounting Standards Board August 2, 2013 Page 3

## **Nonpublic Entity Considerations**

We agree that the proposed amendments to the Codification would apply to both public and nonpublic entities and do not believe that there are amendments that would require special consideration for nonpublic entities. Further, we support the Board's broader project to re-examine the definition of nonpublic entity. We believe the existence of multiple definitions of nonpublic entity is confusing to users of the Codification, and having a single definition would create consistency in application.

#### **Transition Provisions**

We do not believe that any of the proposed amendments will result in substantive changes to application that would require special transition provisions.

## **Other Improvements**

We identified several instances of Master Glossary terms with multiple definitions that were not addressed in the Proposed ASU. Based on discussions with the FASB staff, we understand that the FASB plans to address these duplicate terms in future ASUs under the standing Technical Corrections and Improvements Project. We agree that the duplicate terms should be addressed and believe that each Master Glossary term should have only one definition, which would make the Codification more understandable and easier for constituents to use.

\* \* \* \* \* \* \* \* \*

If you have any questions about our comments or wish to discuss any of the matters addressed herein, please contact Mark Bielstein at (212) 909-5419 or David Elsbree at (212) 909-5245.

Sincerely,



# APPENDIX A

Master Glossary Term / ASC Paragraph	Original Definition	FASB Staff Proposed Changes	KPMG Proposed Changes (as compared to original)
Front-end sales load	See Front-End Sales Fee.	Supersede because not linked in the Codification.	Change term to "Front-end sales charge (load)"  Front-End Sales Fee. A sales commission payable at the time of purchase of mutual fund shares.
Front-end sales fee	A sales commission payable at the time of purchase of mutual fund shares.	No proposed change.	Supersede the term.
ASC paragraph 946-10-05-5	Multiple-class funds issue more than one class of shares. Each class of shares typically has a different kind of sales charge, such as a front-end load, contingent-deferred sales load, 12b-1 fee (referring to Rule 12b-1 in Chapter 17 of the Code of Federal Regulations, which implements the Investment Company Act of 1940), or combinations thereof. Multiple-class funds may charge different classes of shares for specific or incremental expenses, such as transfer-agent, registration, and printing expenses related to each class.	No proposed change.	Multiple-class funds issue more than one class of shares. Each class of shares typically has a different kind of sales charge, such as a {add glossary link to definition} front-end sales charge (load) {add glossary link to definition} front-end-load, contingent-deferred sales load, 12b-1 fee (referring to Rule 12b-1 in Chapter 17 of the Code of Federal Regulations, which implements the Investment Company Act of 1940), or combinations thereof. Multiple-class funds may charge different classes of shares for specific or incremental expenses, such as transfer-agent, registration, and printing expenses related to each class.

ASC	Multiple-class funds issue more than	No proposed change.	Multiple-class funds issue more than
paragraph	one class of shares. Each class of shares		one class of shares. Each class of shares
946-20-05-	typically has a different kind of sales		typically has a different kind of sales
1D	charge, such as a front-end load,		charge, such as a {add glossary link to
	contingent-deferred sales load, 12b-1		definition) front-end sales charge
	fee (referring to Rule 12b-1 in Chapter		(load) {add glossary link to
	17 of the Code of Federal Regulations,		definition \front-end-load, contingent-
	which implements the Investment		deferred sales load, 12b-1 fee
	Company Act of 1940), or		(referring to Rule 12b-1 in Chapter 17
	combinations thereof. Multiple-class		of the Code of Federal Regulations,
	funds may charge different classes of		which implements the Investment
	shares for specific or incremental		Company Act of 1940), or
	expenses, such as transfer-agent,		combinations thereof. Multiple-class
	registration, and printing expenses		funds may charge different classes of
	related to each class.		shares for specific or incremental
			expenses, such as transfer-agent,
			registration, and printing expenses
			related to each class.
ASC	A front-end load, which is assessed on	No proposed change.	A {add glossary link to definition}
subparagraph	purchasing shareholders at the time		front-end sales charge (load) {add
946-20-05-	fund shares are sold.		glossary link to definition} front end
4(b)			load, which is assessed on purchasing
			shareholders at the time fund shares are
			sold.
ASC	Distribution fees and costs for mutual	No proposed change.	Distribution fees and costs for mutual
subparagraph	funds with no front-end sales fee.		funds with no {add glossary link to
946-605-05-			definition} front-end sales charge
1(c)			(load) {add glossary link to
•			definition} front-end-sales-fee.

ASC paragraph 946-605-25-8

## Distribution Fees and Costs for Mutual Funds with No Front-End Sales Fee

25-8 Distributors of mutual funds that do not have a front-end sales fee receive fees that are designed to compensate them for the distribution of fund shares. The fees are sometimes received over a specified future period. The cost deferral method shall be used, that is, the fees shall be recognized when received, the deferred incremental direct costs shall be amortized, and the indirect costs shall be expensed when incurred.

No proposed change.

Distribution Fees and Costs for Mutual Funds with No <u>Front-End Sales Charge</u> (<u>Load</u>) <del>Front-End Sales Fee</del>

25-8 Distributors of mutual funds that do not have a {add glossary link to definition} front-end sales charge (load) {add glossary link to definition} front-end sales fee receive fees that are designed to compensate them for the distribution of fund shares. The fees are sometimes received over a specified future period. The cost deferral method shall be used, that is, the fees shall be recognized when received, the deferred incremental direct costs shall be amortized, and the indirect costs shall be expensed when incurred.

## APPENDIX B

Master Glossary Term / ASC Paragraph	Original Definition	FASB Staff Proposed Changes	KPMG Proposed Changes (as compared to original)
Repurchase Agreement (1)	An agreement under which the transferor (repo party) transfers a security to a transferee (repo counterparty or reverse party) in exchange for cash and concurrently agrees to reacquire that security at a future date for an amount equal to the cash exchanged plus a stipulated interest factor. Instead of cash, other securities or letters of credit sometimes are exchanged. Some repurchase agreements call for repurchase of securities that need not be identical to the securities transferred.	No proposed change.	An agreement under which the a seller-borrower transferor (repo party) transfers a security to a buyer-lender transferee (repo counterparty or reverse party) in exchange for cash and concurrently agrees to reacquire that security at a future date (or in specified circumstances) for an amount equal to the cash exchanged plus a stipulated interest factor. Instead of cash, other securities or letters of credit sometimes are exchanged. Some repurchase agreements call for repurchase of securities that need not be identical to the securities transferred. In certain industries, the terminology is reversed; that is, entities in certain industries refer to this type of agreement as a reverse repurchase agreement (reverse repo).

## Repurchase Agreement (2)

A repurchase agreement (repo) refers to a transaction that is accounted for as a collateralized borrowing in which a seller-borrower of securities sells those securities to a buyer-lender with an agreement to repurchase them at a stated price plus interest at a specified date or in specified circumstances. The payable under a repurchase agreement refers to the amount of the sellerborrower's obligation recognized for the future repurchase of the securities from the buyer-lender. In certain industries, the terminology is reversed; that is, entities in those industries refer to this type of agreement as a reverse repo.

Change term to "Repurchase Agreement Accounted for as a Collateralized Borrowing"

A repurchase agreement (repo) refers to a transaction that is accounted for as a collateralized borrowing in which a seller-borrower of securities sells those securities to a buyer-lender with an agreement to repurchase them at a stated price plus interest at a specified date or in specified circumstances. A repurchase agreement accounted for as a collateralized borrowing is a repo that does not qualify for sale accounting under Topic 860. The payable under a repurchase agreement accounted for as a collateralized borrowing refers to the amount of the seller-borrower's obligation recognized for the future repurchase of the securities from the buyer-lender. In certain industries, the terminology is reversed; that is, entities in those industries refer to this type of agreement as a reverse repo.

Change term to "Repurchase Agreement Accounted for as a Collateralized Borrowing"

A repurchase agreement (repo) refers to a transaction that is accounted for as a collateralized borrowing in which a seller-borrower of securities sells those securities to a buyer-lender with an agreement to repurchase them at a stated price-plus-interest at a specified date or in specified circumstances. A {add glossary link to definition}repurchase agreement {add glossary link to definition) that does not meet the conditions to be accounted for as a sale under Topic 860. The payable under a repurchase agreement accounted for as a collateralized borrowing refers to the amount of the seller-borrower's obligation recognized for the future repurchase of the securities from the buyer-lender. In certain industries, the terminology is reversed; that is, entities in those industries refer to this type of agreement as a reverse repo-

Reverse
Repurchase
Agreement

A reverse repurchase agreement (also known as a reverse repo) refers to a transaction that is accounted for as a collateralized lending in which a buyerlender buys securities with an agreement to resell them to the sellerborrower at a stated price plus interest at a specified date or in specified circumstances. The receivable under a reverse repurchase agreement refers to the amount due from the sellerborrower for the repurchase of the securities from the buyer-lender. In certain industries, the terminology is reversed; that is, entities in those industries refer to this type of agreement as a repo.

## No proposed change.

Change term to "Reverse Repurchase Agreement Accounted for as a Collateralized Lending"

A reverse repurchase-agreement (also known as a reverse repo)-refers to a transaction-that-is-accounted for as a collateralized lending in which a buyerlender buys securities with an agreement to resell them to the sellerborrower at a stated price plus interest at a specified date or in specified eircumstances. A {add glossary link to definition}repurchase agreement {add glossary link to definition} that does not meet the conditions to be accounted for as a sale under Topic 860. The receivable under a reverse repurchase agreement accounted for as a collateralized lending refers to the amount due from the seller-borrower for the repurchase of the securities from the buyer-lender. In-certain-industries, the terminology is reversed; that is, entities in those industries refer to this type of agreement as a repo.

ASC paragraph 210-20-45-11	Notwithstanding the condition in paragraph 210-20-45-1(c), an entity may, but is not required to, offset amounts recognized as payables under repurchase agreements and amounts recognized as receivables under reverse repurchase agreements if all of the following conditions are met:	No proposed change.	Notwithstanding the condition in paragraph 210-20-45-1(c), an entity may, but is not required to, offset amounts recognized as payables under {add glossary link to definition} repurchase agreements accounted for as collateralized borrowings {add glossary link to definition} and amounts recognized as receivables under {add glossary link to definition} reverse repurchase agreements accounted for as collateralized landings (add glossary link to definition)
ASC subparagraph 210-20-45- 11(f)	The entity intends to use the same account at the clearing bank or other financial institution at the settlement date in transacting both the cash inflows resulting from the settlement of the reverse repurchase agreement and the cash outflows in settlement of the offsetting repurchase agreement.	The entity intends to use the same account at the clearing bank or other financial institution at the settlement date in transacting both the cash inflows resulting from the settlement of the reverse repurchase agreement and the cash outflows in settlement of the offsetting repurchase agreement.  repurchase agreement accounted for as a collateralized borrowing.	lendings {add glossary link to definition} if all of the following conditions are met:  The entity intends to use the same account at the clearing bank or other financial institution at the settlement date in transacting both the cash inflows resulting from the settlement of the {remove glossary link} reverse repurchase agreement {remove glossary link} and the cash outflows in settlement of the offsetting {remove glossary link} repurchase agreement{remove glossary link}.

ASC	Recognized derivative instruments	Recognized derivative instruments	Recognized derivative instruments
subparagraph	accounted for in accordance with Topic	accounted for in accordance with Topic	accounted for in accordance with Topic
210-20-50-	815, including bifurcated embedded	815, including bifurcated embedded	815, including bifurcated embedded
1(c)	derivatives, repurchase agreements	derivatives, repurchase agreements	derivatives, repurchase agreements
	and reverse repurchase agreements, and	accounted for as collateralized	accounted for as collateralized
	securities borrowing and securities	borrowings and reverse repurchase	borrowings and {add glossary link to
	lending transactions that are offset in	agreements, and securities borrowing	definition} reverse repurchase
	accordance with either Section 210-20-	and securities lending transactions that	agreements accounted for as
}	45 or Section 815-10-45	are offset in accordance with either	collateralized lendings {add glossary
		Section 210-20-45 or Section 815-10-	link to definition, and securities
		45	borrowing and securities lending
			transactions that are offset in
			accordance with either Section 210-20-
			45 or Section 815-10-45

2013-240 Comment Letter No. 3