



January 14, 2011

Via e-mail: director@fasb.org

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. 1900-100—Proposed Accounting Standards Update, *Reconsideration of Effective Control for Repurchase Agreements*

Dear Technical Director:

BDO USA, LLP appreciates the opportunity to offer comments on the exposure draft (ED) on reconsideration of effective control for repurchase agreements. We agree that the amendment proposed in the ED improves and simplifies the accounting for repurchase (repos) and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity.

Consistent with our comments on other recent proposals, we believe that an overriding objective of any standard issued at this time should be convergence with IFRS. Consideration of the transferor's ability to repurchase or redeem financial assets transferred on substantially agreed terms, even in the event of default by the transferee, is not required under IFRS. Therefore, we concur that the ED improves convergence by eliminating this criterion from U.S. GAAP.

Our experience has been that the economic intent of repos is generally for obtaining access to short-term financing on a cost-effective basis by providing financial assets as security in the event of default by the borrower, and not for effecting a sale of the security provided. The guidance in ASC 860-10-40-24(b) of considering whether the cash or other collateral received is sufficient to fund substantially all of the cost of purchasing replacement financial assets from others, in the event of default by the transferee, appears to be a provision to reduce counterparty credit risk. We do not believe this to be relevant to the assessment of a transaction as a sale or secured borrowing from the transferor's perspective. Further, we observe that the 98-102% collateral maintenance guidance in ASC 860-10-55-37 was not intended to create a "bright-line" for making a determination as to whether an entity maintains effective control over the transferred security. However, in practice, this criterion provides an opportunity for arrangements to be structured to achieve desired accounting outcomes, rather than an indicator of the transaction's substance. Therefore, we believe that the proposal to eliminate this criterion is an improvement to U.S. GAAP.



Technical Director
Financial Accounting Standards Board
Page 2 of 2

We believe that the proposal should be applied in a consistent manner by both public and nonpublic entities. We are not aware of any significant operational, systems or personnel issues that the Board should consider in determining the appropriate effective date. We are supportive of the proposal in the ED being finalized and becoming effective as soon as practicable.

* * * * *

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Lee Graul, National Director of Accounting, at 312-616-4667 or lgraul@bdo.com or Adam Brown, Partner in the National Accounting department, at 214-665-0673 or abrown@bdo.com.

Very truly yours,

BDO USA, LLP

BDO USA, LLP