

December 21, 2012

Technical Director
File Reference No. 2012-250
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the FASB's Proposed Accounting Standards Update, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities (Topic 210)* (the "Proposal"). We support the FASB's (the "Board") efforts to clarify the scope of the disclosures required by ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities* (the "Standard").

Many contracts include standard commercial provisions that allow either party to the agreement to net amounts receivable/payable in the event of default. Because such provisions result in an arrangement that is similar to a master netting arrangement or similar agreement, these contracts could be considered to fall within the scope of the disclosures required by the Standard. However, these provisions are typically included as a credit enhancement and not as a primary source of credit mitigation. Thus, including those contracts in the scope of the disclosure requirement would likely provide minimal benefit because the provisions are not reflective of how entities manage credit risk. Furthermore, preparers have noted that a comprehensive review of all contracts to identify these provisions would be required and that this would be operationally challenging (and costly). These same observations were also made about loans and customer deposits, which resulted in their exclusion from the scope of the Standard.

We agree with the proposed change to limit the disclosures to derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to a master netting arrangement or similar agreement. We believe that these transactions result in the most significant differences in financial reporting due to differences in the offsetting guidance under U.S. GAAP and IFRS, particularly for financial institutions. The cost of including other transactions in the scope of the Standard would likely outweigh the benefit, particularly for transactions that are not offset in the statement of financial position but are subject to a master netting arrangement or similar agreement.



We recommend, however, that with respect to derivative instruments the Board limit the scope of the Proposal to freestanding derivative instruments accounted for under ASC 815. The Proposal currently references the definition of a derivative instrument in the master glossary. That definition is too broad for this purpose because it includes, for example, an embedded derivative required to be separated from the host contract. We believe it was not the intention of the Board to include embedded derivatives or other derivatives not accounted for under ASC 815 within the scope of the disclosure requirements.

If you have any questions, please contact Paul Kepple at (973) 236-5293, Donald Doran at (973) 236-5280, or Chip Currie at (973) 236-5331.

Sincerely,

PricewaterhouseCoopers LLP

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