October 10, 2016

Russell G. Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via email: director@fasb.org

File Reference: 2016-290 Agenda Consultation

Dear Chairman Golden:

The American Bankers Association\(^1\) (ABA) appreciates the opportunity to comment on the Invitation to Comment Agenda Consultation (ITC). The ITC seeks feedback on several major areas that FASB is considering to add to its project agenda. As both users and preparers of financial statements, bankers have a keen interest in FASB’s agenda.

**FASB Should Recognize Ongoing Burdens of New Standards**

ABA reminds FASB that recent Accounting Standards Updates (ASUs) issued by FASB probably represent the most significant changes ever made to financial accounting, affecting the broadest range of companies (banks and non-banks) and the analysts who assess their financial statements. These changes include:

- Revenue Recognition (ASU 2014-09, 2015-14), effective in 2018
- Lease Accounting (ASU 2016-02), effective in 2019
- Recognition and Measurement of Financial Instruments (ASU 2016-01), effective in 2018
- Measurement of Credit Losses on Financial Instruments (ASU 2016-13), effective in 2020\(^2\)

Companies and analysts will be spending an enormous amount of time and expense over the next several years in implementing, understanding, and managing their businesses under the new standards. Resources to address any new proposals will be limited, both in evaluating the proposals and in

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1. The American Bankers Association is the voice of the nation’s $16 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard $12 trillion in deposits and extend more than $8 trillion in loans.

2. Bankers are also likely to be implementing a final standard related to the recently-issued exposure draft *Targeted Improvements to Accounting for Hedging Activities*. The effective date has yet to be addressed.
implementing them. For practical purposes, FASB should thus focus the intent of any new project toward simplification.

**FASB Should Focus on Simplification**

In line with this, a project to address intangible assets must focus on simplifying the subsequent accounting of goodwill, including the option to amortize goodwill. As we have noted in the past, goodwill is disregarded in the calculation of bank regulatory capital, is arduous to evaluate for impairment, and its importance is discounted by many analysts within their assessment of the amount, timing, and uncertainty of future cash flows to the entity. We acknowledge that there is a current FASB project to simplify the impairment assessment of goodwill. However, a more comprehensive study to consider other simpler alternatives is needed.

**Other Comprehensive Income Should be Addressed only within Individual Standards**

While other comprehensive income (OCI) is not explicitly addressed in FASB’s conceptual framework, reporting OCI separately from income generally addresses complex circumstances that may, if reported in net income, obfuscate a company’s reported periodic performance. In the banking industry, unrealized gains and losses in available for sale debt securities, the timing of certain transactions hedged with derivatives for cash flow purposes, and certain foreign currency translation adjustments are commonly reported in OCI. We believe existing OCI accounting does not need to be changed, as the respective items not only appropriately reflect and highlight key areas of company performance, they could have a significant impact on banking regulatory capital levels. While we understand that regulatory concerns are not the priority of the Board, any discussion related to the change will need to address the regulatory processes required to adjust for them.

Instead of focusing on OCI in isolation (or specifically within the context of performance reporting), we believe a more effective approach is to address the underlying accounting standards that can result in other comprehensive income. Here we note that ASU 2016-01 and 2016-13 and exposure draft 2016-310 (Targeted Improvements to Accounting for Hedging Activities) have reaffirmed the need for OCI. Therefore, outside of the accounting for pensions or other postretirement benefits, a project on OCI will have little relevance and, therefore, is not recommended.

Thank you for your attention to these matters and for considering our views. Please feel free to contact me (mgullette@aba.com; 202-663-4986) if you would like to discuss our views.

Sincerely,

Michael L. Gullette