October 17, 2016

Technical Director
File Reference No, 2016-290
Financial Accounting Standard Board
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Sent electronically via the FASB website

FASB Invitation to Comment, Agenda Consultation

Credit Suisse Group ("CSG") welcomes the opportunity to comment on the Financial Accounting Standards Board's ("FASB") Agenda Consultation. CSG's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("US GAAP").

CSG supports the FASB's efforts to solicit feedback on financial reporting areas that it is considering adding to its agenda. Please find our comments for the proposals in the Appendix.

If you have any questions or would like any additional information on the comments we have provided herein, please do not hesitate to contact Todd Runyan in Zurich on +41 44 334 8083 or Mita Gandhi in London on +44 20 788 39168.

Sincerely,

Todd Runyan
Managing Director
Global Head of Accounting Policy and Assurance Group

Mita Gandhi
Vice President
Accounting Policy and Assurance Group
Attachments:

Appendix - Responses to proposals under Invitation to comment

We set out below our comments relating to the proposals for the specific financial reporting areas.

Distinguishing Liabilities from Equity

CSG supports the FASB’s intention to include the topic of Distinguishing Liabilities from Equity as an agenda topic. Given the complexity of the instruments and the array of guidance on the topic, there can be a lack of transparency as well as consistency in the accounting treatment followed by reporters. We would encourage the FASB to consider including this topic with high priority.

CSG would strongly support a targeted approach. We believe focusing on complex features would result in more effective and meaningful improvements to existing guidance. Given the complex nature of this topic, a holistic approach as proposed would not resolve all issues and is likely to result in further inconsistency. In performing a targeted approach, we believe the FASB should be aware of any unintentional impact on other instruments or reporting and address those in the course of the project.

We acknowledge that the considerations for complex instruments can only be deliberated once the guidance for simple instruments is finalized. CSG does not support Alternative A or Alternative B as proposed alternatives. As the new Financial Instrument standard generally does not have the concept of compound financial instruments (outside of instruments with equity conversion features), introducing a requirement to bifurcate complex instruments will likely result in a significant operation burden on reporting entities as well as introducing more complexity into an already extremely technical area of reporting.

We would request the FASB to consider addressing the inconsistencies with the U.S Securities and Exchange Commission (SEC) in their topic agenda. Under current US GAAP guidance, redeemable instruments that are not mandatory redeemable are treated as equity. The guidance from the SEC, D-98 Classification and Measurement of Redeemable Securities, requires such instruments to be classified as temporary equity. As CSG (similar to many other entities) does not have a mezzanine level of equity, the amounts are classified as debt. Therefore, as a result of the inconsistency in the literature, economically similar transactions are being recognized and measured in different ways. As both a US GAAP reporter and SEC filer, this is a challenging issue and can potentially obscure transaction reporting, hence reducing comparability.

Pensions and Other Postretirement Benefit Plans

CSG supports the FASB’s intention to improve the guidance for Pensions and Postretirement Benefit Plans and think that this particular topic should be prioritized as a future agenda topic.

We acknowledge the current guidance under US GAAP allows a policy choice in relation to the recognition of gains/losses from a change in the value of either the projected benefit obligation or plan assets. However, this is not the only topic within the Codification that allows such a choice. We believe that as long as the policy choice has been documented and explained clearly in the financial statements and applied on a consistent basis (i.e. across reporting periods), readers understand this long established treatment.

The current US GAAP approach of allowing the delayed recognition of gains and losses reflects the long-term nature of postretirement benefit plans. Furthermore, that treatment is consistent with the practice of including in other comprehensive income certain changes in value that have not been recognized in earnings (for example, unrealized gains or losses on available-for-sale equity securities). Full recognition, either in OCI or through the income statement, would result in greater volatility in the financial statements, compared with the current approach. We strongly oppose the proposal to change the current guidance.
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With regard to issue 2 (measurement of the defined benefit obligation), we concur with the concerns raised regarding hybrid plans. Some of our non-US pension plans are required to be treated as defined benefit plans yet contain elements of both defined benefit and contribution plans. We would recommend the FASB address these issues as part of the project and would be willing to assist the FASB as required.

We would prefer potential standard setting Alternative A (redefine employee benefit plans to reflect a broader classification of different types of plans), and would welcome the topic being updated to include different types of plans and updated definition and accounting guidance for each class. With regard to Alternative B (change the discount rates for hybrid plans) and Alternative C (change other measures for hybrid plans) we would support further research and analyses of these alternatives.

We would support a targeted approach for amending this topic. We do not believe that an overhaul of the accounting framework for this topic is required and believe that a targeted approach will work best from an operational and practical perspective.