Michael Monahan  
Senior Director, Accounting Policy

Via Email: director@fasb.org

July 25, 2016

Technical Director  
File Reference No. 2016-260  
Financial Accounting Standards Board  
401 Merrit 7  
Post Office Box 5116  
Norwalk, CT 06856-5116

Re: FASB Exposure Draft, Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control, Ref. 2016-260

Dear Technical Director,

The American Council of Life Insurers (“ACLI” or “we”) appreciates the opportunity to comment on the proposed Accounting Standards Update – Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control (“Proposed ASU”).

We agree with the proposed amendment to modify how a single decision maker of a variable interest entity (VIE) would treat its indirect interests in the VIE held through related parties under common control when determining whether it is the primary beneficiary of that VIE. We believe that reflecting such indirect interests on a proportionate basis will reduce (but not eliminate) the instances of consolidation by a single decision maker of an entity in which it has no or immaterial direct financial interest.

We encourage the Board to also include as a part of this project the analogous amendment to the decision maker fee section in paragraph 810-10-55-37D of the guidance, so that in evaluating whether a decision maker’s fee arrangement is a variable interest, that decision maker’s indirect interests held by its related parties under common control be considered on a proportionate basis (see response to Question 2).

1 The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association with approximately 280 member companies operating in the United States and abroad. ACLI advocates in state, federal, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers’ products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing 95 percent of industry assets, 92 percent of life insurance premiums, and 97 percent of annuity considerations in the United States. Learn more at www.acli.com.
We have provided answers to the questions in the Proposed ASU. We appreciate the opportunity to express our views. Should you have any questions regarding our comments please do not hesitate to contact me (MikeMonahan@acli.com).

Sincerely,

[Signature]

Mike Monahan
Senior Director, Accounting Policy

Attachment
Question 1: If a reporting entity is the single decision maker of a VIE, the amendments in this proposed Update would require that reporting entity to include all of its direct variable interests in a VIE and, on a proportionate basis, its indirect variable interests in a VIE held through related parties to determine whether it is the primary beneficiary of that VIE. This evaluation would include all related parties as defined in paragraph 810-10-25-43, including those under common control with the single decision maker. Do you agree with this approach? If not, please explain why.

ACLJ Response: We agree with the proposed approach.

Question 2: Would the proposed amendments adequately address stakeholders’ concerns that, in certain situations involving entities under common control, the amendments in Update 2015-02 may require a single decision maker of a VIE to consolidate that VIE even if it has little to no direct variable interests in the VIE?

ACLJ Response: While we agree with the proposed amendments, we believe that the Board should consider analogous amendments to the decision maker fee guidance in paragraph 810-10-55-37D as a part of the same project, rather than, as suggested in BC11, at a later date, as a part of a separate project.

We would like to suggest the following amendments to the paragraph 810-10-55-37D:

For purposes of evaluating the conditions in paragraph 810-10-55-37, any interest in an entity that is held by a related party of the decision maker or service provider should be considered in the analysis. Specifically, a decision maker or service provider should include its direct economic interests in the entity and its indirect economic interests in the entity held through related parties, considered on a proportionate basis. For example, if a decision maker or service provider owns a 20 percent interest in a related party and that related party owns a 40 percent interest in the entity being evaluated, the decision maker’s or service provider’s interest would be considered equivalent to an 8 percent direct interest in the entity for the purposes of evaluating whether the fees paid to the decision maker(s) or the service provider(s) are not variable interests (assuming that they have no other relationships with the entity).

Indirect interests held through related parties that are under common control with the decision maker should be considered on a proportionate basis, when the decision maker has a direct interest in that related party under common control in the same manner as other related party interests. The term related parties in this paragraph refers to all parties as defined in paragraph 810-10-25-43 [...]

Question 3: Do you agree with the proposed transition requirements in paragraph 810-10-65-8? If not, what transition approach would be more appropriate?

ACLJ Response: We agree.

Question 4: Should a reporting entity be required to provide the transition disclosures specified in this proposed Update? Should any other disclosures be required? If so, please explain why.
ACLI Response: We agree with the proposed transition disclosures and believe that no other disclosures should be required.

Question 5: Should the proposed amendments be effective immediately upon issuance of a final Update for all entities that already have adopted the amendments in Update 2015-02?

ACLI Response: For the entities that already have adopted the amendments in Update 2015-2, the proposed amendments should not be effective immediately upon issuance of a final update. One-year implementation period should be allowed for adoption, with an option to early adopt. This would appropriately accommodate the varying efforts that may be required of reporting entities to implement the proposed amendments.

Question 6: Should entities that have not yet adopted the amendments in Update 2015-02 be required to adopt the amendments in this proposed Update at the same time they adopt the amendments in Update 2015-02?

ACLI Response: Yes, we agree with the proposed requirements for the entities that have not yet adopted the amendments in Update 2015-2.