September 16, 2019

Mr. Shayne Kuhaneck  
Acting Technical Director  
FASB  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856

Re: File Reference No. 2019-750

Dear Mr. Kuhaneck:

We are pleased to comment on the Board’s request for comment on Proposed Accounting Standards Update, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates (“Proposed ASU”).

We support the Board’s proposal to provide effective date relief to entities that are smaller in size and that may have access to fewer resources than larger entities. We agree that these smaller entities would be better positioned to implement major accounting standards more effectively if provided more time to, among other things, learn from the implementation experiences of larger entities and have better access to resources for which they might otherwise have to compete. While we believe the Board’s proposed approach on how to stagger effective dates is understandable, we have several concerns and observations regarding the operationality of the approach and how the Board proposes to apply it.

**Bucketing Philosophy**

We suggest the Board engage with users to better understand the benefits and costs of splitting SEC filers into two buckets, including consideration of the reduced comparability of financial information reported amongst SEC filers as well as the length of time (i.e., three years as proposed for Topic 326) that would be afforded between larger and smaller public companies. If such outreach supports splitting SEC filers into two buckets, we suggest the Board re-evaluate the proposed split between SRCs and all other SEC filers, especially as it relates to the effective date for Topic 326. Given the large disparity in size and availability of resources when looking at the range of banks that are SEC filers, as discussed below, one possibility could be to place large accelerated filers (LAFs) and accelerated filers (AFs) in “bucket one” and non-accelerated filers in “bucket two,” along with all other entities.

If the Board retains its bucketing philosophy as proposed, we note that the proposed definitional threshold disqualifies many entities that are similar in size and resource availability as those included in “bucket two” from the proposed effective date relief. In particular, the use of SRC as the definitional threshold would exclude non-issuer reporting entities that meet the definition of an SEC filer from the proposed relief because, by definition, non-issuers cannot qualify as an SRC. Many of these non-issuers (e.g., a non-issuer broker-dealer entity) are the same size as or smaller than entities in “bucket two” and share many of the same resource constraints. It is not readily clear from the Proposed ASU why these non-issuer entities don’t have the same effective date relief as “bucket two” entities especially given the
Board’s stated rationale for extending relief to SRCs (see paragraph BC10 of the Proposed ASU). We suggest the Board reconsider its proposed designation of SRC as the cut-off for an SEC filer to be included in “bucket two” and include such non-issuer reporting entities in any deferred effective date relief granted to smaller SEC filers.

Topic 326 (CECL) Effective Date

While we appreciate the Board’s goal to not create new definitions, we observe a wide range of size, and resources, in the LAF category. The following represents a general demographic of the LAF category:

<table>
<thead>
<tr>
<th>Large Accelerated Filers – Banks</th>
<th>Asset Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approximate Number</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Over $2 trillion</td>
</tr>
<tr>
<td>23</td>
<td>$50 billion - $2 trillion</td>
</tr>
<tr>
<td>33</td>
<td>$20 billion - $50 billion</td>
</tr>
<tr>
<td>31</td>
<td>$10 billion - $20 billion</td>
</tr>
<tr>
<td>48</td>
<td>$2 billion - $10 billion</td>
</tr>
<tr>
<td>139</td>
<td></td>
</tr>
</tbody>
</table>

We observe many banks in the $2 - $50 billion LAF category could benefit greatly from performing additional parallels runs, including incorporation of model validation recommendations, assessment of forecasts, and refinement of qualitative factors. While progress has been made, the industry and capital markets would benefit from observing more operating results and monitoring from these models. The quality of the CECL estimate, the nature and extent of the internal controls designed and tested, and the overall validation of the modeling techniques utilized will be significantly improved with additional time. Likewise, having additional time for auditor involvement would result in a higher quality implementation.

For the approximate 160 AFs that are banks, ranging in size from $600 million to $7 billion in assets, their size typically prevents them from having the same level of resources as larger banks. We find these banks are largely dependent on third-party vendors, and significant time and resources were exhausted in building and testing data sets to populate the life of asset loss estimates. While progress has been made, we observe banks in this category would benefit from observing more operating results and monitoring from these models.

Based on the above observations, we encourage the Board to consider whether all entities would benefit from additional time to prepare for the adoption of CECL. If users support splitting SEC filers but prefer less time between “bucket one” and “bucket two,” one alternative would be to defer the effective date for all entities. As a result, we recommend the Board consider the following effective dates: (1) reporting periods beginning after December 15, 2021 for LAFs and AFs and (2) reporting periods beginning after December 15, 2022 for all other entities, including non-accelerated filers. Although this alternative would not result in a three-year gap between the effective dates for “bucket one” and “bucket two” entities as proposed by the Board, it provides for a deferred effective date of 2023 for smaller SEC filers and all other entities consistent with that contained in the Proposed ASU.

Topic 842 Effective Date

Regarding the proposed changes to the effective date of Topic 842, we urge the Board to conduct further outreach to determine if the proposed effective date relief should be extended to not-for-profit entities with conduit debt. These entities are typically similar in size and resource availability as other “bucket two” entities and would similarly benefit from having more time to adopt. While we acknowledge the effective date for most of these entities has already passed, in most cases such entities typically issue annual financial statements only and, therefore, may not have yet fully adopted Topic 842.
Please contact Sydney Garmong at 202-779-9911 (sydney.garmong@crowe.com) or Scott Lehman at (630) 574-1605 (scott.lehman@crowe.com) should you have any questions or would otherwise like to discuss our response.

Sincerely,

Crowe LLP

Cc:
Jim Dolinar, Partner, Crowe LLP
Ray Calvey, Partner Crowe LLP

---

i Source: S&P Global
ii Source: S&P Global