March 21, 2012

Ms. Leslie F. Seidman
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O.Box 5116
Norwalk, Connecticut 06856-5116

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom

Re: Proposed Accounting Standards Update (Revised), Revenue Recognition (Topic 605): Revenue from Contracts with Customers (including proposed amendments to the FASB Accounting Standards Codification® (File Reference No. 2011-230) and IASB ED/2011/6, Exposure Draft, Revenue from Contracts with Customers (the “Proposals”)

Dear Ms. Seidman and Mr. Hoogervorst:

We appreciate the opportunity to comment on the Proposals\(^1\). Bank of America Corporation (BAC) provides a diverse range of banking and non-banking financial services and products domestically and internationally. We support the Financial Accounting Standards Board’s (“FASB”) and the International Accounting Standards Board’s (“IASB” and together with the FASB, the “Boards”) efforts to clarify the principles of revenue recognition and develop a common standard as we believe that this will result in more consistency within and across industries. Although we believe that the guidance is not intended to significantly change the accounting for most of the products and services within the financial services industry, we are concerned that the sweeping nature and complexity of the Proposals may be difficult to apply and could result in unintended consequences. The Proposals are particularly challenging for financial institutions because significant portions of the businesses may be partially within the scope of the guidance. Our general concerns are as follows:

- **Scope** – We believe that the scope paragraph should more directly clarify its impact on financial instruments. In addition, we believe that the guidance associated with unbundling is difficult to apply to contracts with customers that include financial instrument components.

- **Credit card transactions** – We do not understand how to apply the guidance to multi faceted credit card arrangements and transactions, especially those that involve reward programs. We believe that these arrangements should be considered outside of the scope of the Proposals; however, we do not believe that the guidance is clear. We would welcome the opportunity to discuss the treatment of these complex arrangements with the Boards.

\(^1\) Although the comments in this letter apply to both proposals, the technical references within are based on the FASB Accounting Standards Codification®.
• Netting of underwriting transactions – We are concerned that the Proposals eliminate the current practice of netting underwriting revenues against deal specific underwriting expenses. We believe that net presentation provides the most decision useful information for this business activity.

• Onerous Performance Obligations – We agree with the concept of recognizing liabilities for onerous obligations; however, we believe that measuring these obligations at the performance obligation level may not properly portray the economic nature of the arrangements.

• Disclosures – We believe that the disclosures duplicate many disclosures that are currently required and are in many cases not meaningful or useful for the financial services industry. We recommend that the disclosure requirements be less prescriptive in order to ensure that they meet the needs of users without creating an excessive burden to the reporting entity.

• Retrospective application – We believe that retrospective application will be burdensome and the costs will not outweigh the benefit of comparability.

Below we have provided more detail for your consideration:

Scope

Did the Boards intend to exclude all financial instruments from the scope of the Proposals? The Board’s intent is unclear as, certain financial instruments such as those covered in Topic 323 – Equity Method and Joint Ventures and Topic 325 – Investments are not specifically identified in paragraph 9. We recommend that the Board clarify the scope paragraph to specifically state that financial instruments as defined in ASC 815-10-20 and the revenue generated from investing in, issuing, and originating financial instruments is generally outside the scope of the guidance. Superseeded guidance should be specifically identified in the appendix. This will ensure that the scope paragraph is comprehensive.

In addition, although the Proposals provide guidance in paragraph 11 regarding the unbundling of contracts that are partly within the scope of the guidance, it is difficult to understand how this guidance would be applied to financial services contracts. For example, banks may provide treasury services to clients including lock box services, check clearing, and account reconciliations. Fees related to these services may be reduced or eliminated depending on the level of deposits that the business maintains in a financial institution. Under the guidance it is unclear how or whether fees would be allocated between the deposit, which would be a financial instrument outside of the scope of the Proposals, and the service provided, which would be within the scope of the Proposals. We believe the accounting for the deposit would not be changed, and therefore any fees would be allocated to the services provided. However, we believe that an example related to identifying and allocating the transaction price to separate performance obligations embedded within certain common financial services transaction would be helpful. In addition, we recommend and would be happy to participate in additional field-testing in order to identify potential areas that may require unbundling.

Credit Card Transactions

We believe that credit card reward programs should be considered outside of the scope of the Proposals; however, we do not believe that the guidance is clear. A financial institution’s credit card reward program involves contracts entered into with many parties including the card issuer, the merchants, the associations (e.g., VISA and MasterCard), the cardholders, and the loyalty providers that fulfill the rewards. All of these parties are integral to successfully running a rewards program. In its simplest form, the revenue model for these programs is
as follows: the associations enter into agreements with financial institutions that issue cards branded with the associations’ logos. The associations and financial institutions enter into agreements with merchants to accept and process cardholders’ credit card transactions. For each cardholder transaction with the merchant, the association earns a fee from the merchant. A portion of this fee, known as the interchange, is passed along to the financial institution that issued the card. The financial institutions offer rewards to provide incentives to cardholders to use their cards. This use results in both greater interchange fees as well as greater interest revenue.

We believe that the revenue and costs associated with the component contracts described above should not be within the scope of the guidance. First, we believe that the arrangement between the issuing bank and the association is not a contract with a customer and should be out of scope based on the guidance in paragraph 10 of the Proposals.

In addition, we believe that the cardholder contracts are also not within the scope of the guidance because the revenue related to these contracts (i.e., fees and interest) is accounted for within the scope of Topic 310, Receivables. Given that the revenue related to the agreements is entirely outside the scope of the guidance, we do not believe that it is appropriate to include the associated costs within the guidance.

If one were to conclude that the rewards program performance obligation were considered to be in scope, it is unclear how the guidance in the Proposals would be applied. We do not believe that the guidance in Example 24 – Customer loyalty program is applicable as it pertains to programs in which loyalty arrangements can only be redeemed by future purchases. This is not the case for credit card reward points which are immediately redeemable and therefore require no additional purchase by the cardholders. Further, we also do not believe that the onerous performance obligation guidance should be applied (see Onerous Performance Obligations below) to these arrangements.

Netting Underwriting Revenue and Expenses

We believe that the current guidance in Topic 940 related to underwriting revenues and costs would remain largely unchanged. The revenue related to the underwriting would be within the scope of the Proposals but would be very similar to the current guidance within Topic 940-605. The guidance associated with the treatment of underwriting costs is provided within Topic 940-340-35 and will not be superseded. We agree that this approach is appropriate.

However, we are concerned that under the Proposals, the longstanding practice of netting underwriting revenues against underwriting costs will be superseded (this guidance is currently provided in ASC Topic 940-605-05-1a). We believe that the net treatment for underwriting costs associated with successful transactions is appropriate and should be retained. This practice is consistently applied and well understood. Based on our experience, analysts are interested in the overall profitability of the underwriting transactions rather than the individual components. As a result, reporting the underwriting income gross rather than net would provide information that is less meaningful to users of the financial statements. We ask that the FASB retain the net treatment currently provided for in Topic 940. We recommend that the FASB move the netting language currently in Topic 940-605 to the discussion on underwriting costs in Topic 940-340-35.
Onerous Performance Obligations

We agree with the concept that a liability should be recognized for an onerous obligation. However, we believe that measuring onerous obligations at the performance obligation level may not accurately reflect the economics of certain arrangements and may be operationally difficult to apply. Profitability at financial institutions may be measured at the customer level. For example, financial institutions are often willing to provide better pricing on certain aspects of a customer relationship with the understanding that sufficient revenue will be generated from other aspects of the arrangement with that customer. We believe that recognizing expenses related to less profitable performance obligations in advance of when the services are performed and when the revenue is recognized would result in financial statements that do not faithfully represent the full economics of the customer relationship. In other words, it does not seem appropriate to recognize an amount as an onerous expense when revenue that has been negotiated to cover these expenses will be recorded in the future.

In addition, currently this information is not available and has not been tracked at the performance obligation level. Significant systems changes would be required in order to implement this requirement, and significant incremental personnel costs would be required to review and track each performance obligation for profitability. We do not believe that these costs would be justified and believe that the information derived would not be meaningful.

Further, in some cases, especially within the financial services industry, all of the revenue related to a contract is outside of the scope of the Proposals and therefore no transaction price can be allocated to goods or services that are provided. For example, the credit card reward programs and treasury services described above may not have revenue that is accounted for within the scope of the Proposals. In these cases, we do not believe that it is appropriate to consider the performance obligations (that is, the providing of credit card awards or treasury services) to be onerous. Instead, the financial institution is adequately compensated for those services through the return it earns on the customer relationship. We believe that where all of the revenue in a contract is outside of the scope of the Proposals, any related performance obligation should similarly be outside the scope. In our view, reflecting these arrangements as onerous mischaracterizes the economic reality.

We therefore recommend that the Boards consider changing the onerous obligation measurement level to the customer relationship level in order to best reflect the reporting entity's business model and the economic substance of the arrangements. We note that in paragraph BC207 the Board considered but rejected changing the unit of account for onerous performance obligations because "they thought that it would add more complexity and would be inconsistent with recognizing revenue at the performance obligation level." We respectfully disagree with this conclusion, especially in situations in which the revenue for the contract is not within the scope of the guidance.

Disclosures

Although we understand the benefits of uniform disclosures, we are concerned that the disclosure requirements in the Proposals are overly extensive and would not provide useful information for the financial services industry. Given the considerable level of detail required for each performance obligation and the systems changes that these new requirements would necessitate, we urge the Boards to consider making the disclosures less prescriptive so that specific industries can determine which disclosures provide the more relevant information. We believe that the extensive disclosures are not warranted for our industry based on the following:

- Many of contracts that would be within the scope of the Proposals are short term in nature, and revenue for these contracts is generally reflected upon or near the receipt of cash.
- A large portion of a financial services institution's revenue is generated from transactions that are outside of the scope of the Proposals. Therefore, requiring this level of disclosure for the contracts that are within scope would give these contracts undue prominence and could lead to a distorted view that does not reflect the complete picture of the entity's economic performance.

- There are currently extensive and integrated disclosure requirements, for example, the segment disclosures provide information about fee revenues specific to lines of business; geographic information provides an integrated understanding of regions that generate revenue; the requirements of ASC Topic 815 provide business risk level detail about revenue sources; and loan disclosures provide extensive information about these core transaction.

In addition, we do not believe that the roll forward requirements related to contract balances, performance obligations, onerous performance obligations, and contract costs will be useful for our industry. As noted above, most contracts with customers for the financial services industry that are within the scope of the Proposals will mature with a year; therefore this guidance will only apply to a very small portion of our businesses. We believe that these disclosures would simply not provide decision useful information.

We do support adding qualitative information about our fee generating business models where that information would help users better understand the revenue streams, cash flows and risks.

Finally, in general, we would prefer that the Boards assess the disclosure requirements for revenue as part of the project to develop a comprehensive financial statement disclosure framework. We believe that this approach will help efficiently target the most critical disclosure areas and avoid duplicate and overly prescriptive disclosure requirements embedded within each standard. We recommend that the Boards prioritize the disclosure framework project rather than provide disclosure requirements in each newly issued standard.

**Retrospective application**

We believe that retrospective application for this guidance will be overly burdensome, and we do not believe that the practical expedients will provide much relief. The implementation of this requirement will necessitate the review of hundreds of contracts that are either entirely or partially within the scope of the Proposals. For our industry where many performance obligations may be bundled, retrospective unbundling will pose a significant challenge and that could be very costly. We note that in the past standard setters have not required retrospective application for revenue related guidance; for instance Emerging Issues Task Force (EITF) Issue 06-1, Multiple-Deliverable Revenue Arrangements and EITF 00-21, Multiple Element Arrangements both permitted prospective application. We recommend permitting prospective application with qualitative and quantitative disclosure of the impact of adoption where material.

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In summary, we urge both the FASB and the IASB to reconsider the Proposed Update. We believe that the impact to the Financial Services Industry has not been fully considered and are concerned that the Proposals could result in unintended consequences. We are concerned that the standard is not clear, and therefore it is difficult to appropriately identify and prepare for impacts to the current accounting models. We are especially concerned about unbundling of contracts that involve financial instruments. We respectfully request that the Boards conduct outreach with key participants in the financial services industry before finalizing the Proposals to ensure that the accounting treatment is clear.
We appreciate the opportunity to express our views in this letter. Should you have any questions, please feel free to contact Randall Shearer (980.388.8433) or me (980.387.4997).

Sincerely,

[Signature]

John M. James
Senior Vice President and
Corporate Controller

cc: Bruce Thompson, Chief Financial Officer
    Neil A. Cotty, Chief Accounting Officer
    Randall J. Shearer, Accounting Policy Executive