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Via Email: director@fasb.org

May 15, 2013

Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
Post Office Box 5116
Norwalk, Connecticut 06856-5116

RE: File Reference No. 2013-220

Dear Ms. Cospers:

Ameriprise Financial, Inc., one of the nation's leading financial planning, asset management and insurance and annuity companies, respectfully offers comments for your consideration regarding the Financial Accounting Standards Board (the "FASB") Proposed Accounting Standards Update, *Financial Instruments – Overall (Subtopic 825-15) Recognition and Measurement of Financial Assets and Financial Liabilities* (the "ED" or "the proposed standard").

Executive Summary

We support the FASB's efforts to improve financial reporting for financial instruments as well as its efforts to reduce complexity in accounting for such instruments. We are also supportive of the FASB's efforts to achieve convergence with the International Accounting Standards Board ("IASB"). While we support the amortized cost ("AC"), fair value through other comprehensive income ("FV-OCI") and fair value through net income ("FV-NI") accounting models, we are primarily concerned with the proposed standard's complexity, operational costs such as internal employee time and external auditor fees associated with implementing and maintaining compliance with the contractual cash flow characteristic test. In addition, we believe management's judgment underlying an individual security's cash flow characteristics analysis exacerbates disparities in practice when determining classification of a financial asset.

In addition, we identified the following issues that should be addressed by the FASB if they proceed to issue the proposed standard. These topics are discussed in more detail below and include:

- Investment company scope exception;
- Inconsistent presentation of own-credit risk for liabilities carried at fair value;
- Measurement of consolidated collateralized debt obligations;
- Lengthy, cluttered financial statement presentation;
- Held-for-sale definition for equity method investments;
- Foreign currency gains and losses for financial assets classified as FV-OCI; and
- Interaction of the proposed standard with other current FASB projects (e.g., Insurance Contracts) and effective date

This ED, if adopted as exposed, we believe will not significantly change the classification and measurement of our financial instruments as compared to today's trading, available-for-sale, and held-to-maturity accounting models, however it would significantly change the processes necessary to determine the required classifications. We believe the costs of implementing and maintaining the changes far outweigh any benefits received from implementing the proposed standard.

Specific Observations

To the extent the FASB chooses to move forward with the ED, we bring to your attention the following matters that should be addressed prior to finalization of a new standard:

Cash Flow Characteristic Test Increases Operational Complexity and Costs

We are concerned with the operational costs associated with implementing the solely principal and interest contractual cash flow characteristics criterion defined in the proposed standard. In particular, the requirement to evaluate and document the cash flow characteristics of every financial instrument, especially structured securities and their underlying pool of assets, will significantly increase our costs when compared to existing U.S. GAAP that is predicated on management's intent with respect to individual investment securities. We own approximately 3,000 to 3,500 debt securities including a large number of structured securities. Evaluation of the individual instrument's cash flow characteristics will require new analysis, training, and collaboration between investment traders, portfolio managers, accounting operations and potentially new technology solutions to evaluate and document cash flow characteristics with respect to the solely principal and interest model, significantly increasing the human cost of adopting the ED. In addition, we would be required to develop adequate controls over financial reporting for these new processes that will be subject to recurring external auditor costs. We do not believe the increased complexity and cost is justified especially considering that we do not anticipate a significant change in the classification and measurement of our financial assets.

We propose, in an effort to significantly reduce the operational burden and cost, retaining existing U.S. GAAP that requires bifurcation of embedded derivatives for financial assets or

modifying the proposed cash flow characteristics analysis to allow preparers to conclude that cash flows are “substantially” rather than “solely” principal and interest.

Investment Company Scope Exception

We are unclear why the proposed standard scopes out only debt and equity securities for investment companies subject to Topic 946 in 825-10-15-19(b) from initial and subsequent measurement and not all financial assets and liabilities held by investment companies. We request that the FASB clarify their intention and if appropriate explicitly include all financial assets and financial liabilities in the scope exception for entities that follow investment company accounting (Topic 946).

Inconsistent Presentation of Own-Credit Risk for Liabilities Carried at Fair Value

With regards to the fair value of financial liabilities, we agree with the FASB’s observation that “many stakeholders consider recognizing a gain due to a decrease in credit standing to be potentially misleading and, thus, inappropriate because an entity often lacks the ability to realize such gains.” The proposed standard attempts to resolve this concern by recording the change in fair value that result from a change in the company’s own-credit risk separately in other comprehensive income (“OCI”) for financial liabilities when the fair value option is elected.

It is unclear why the FASB has chosen to reflect changes in own-credit risk in OCI only for liabilities that are carried at fair value as result of a fair value option election (ASU 825-10-45-17) and not for all financial liabilities, including embedded derivative liabilities, carried at FV-NI. We suggest that the FASB allow own-credit risk components of all financial liabilities measured at fair value to be recorded in OCI when the company does not have the ability to realize any resulting gains. This would result in a consistent accounting principle when an entity lacks the ability to realize such gains and avoid misleading or confusing financial statement users.

Measurement of Consolidated Collateralized Debt Obligations (“CDOs”)

We believe all consolidated collateralized debt obligations should be allowed to record the underlying pool of collateral at fair value through net income. Asset managers take various approaches to managing a CDO’s collateral and are dictated by the governing documents of the CDO. These approaches can include a “static pool” approach whereby the underlying collateral can only be sold if there is deterioration in the credit. An “actively managed pool” approach allows for individual credits to be sold at the discretion of the manager. These static and actively managed CDOs are referred to as “cash flow CDOs” that are not managed on a fair value basis. Lastly, there are “market-value” collateral pools whereby the underlying collateral pool is managed on a fair value basis and sales of collateral are usually motivated by movement in the fair value of the collateral.

Today, many asset managers have elected the fair value option for assets and liabilities of consolidated CDOs. Based on the business model criteria in the proposed standard, we have “cash flow CDOs” that would be required to be recorded at amortized cost. We would not be

able to elect fair value for the assets of the CDO as the proposed standard is currently drafted. We currently present several non-GAAP measures excluding the consolidated CDOs from our operating results for our financial statement users. If we are not allowed to elect fair value for the assets and liabilities from these CDOs, we will be required to establish credit impairment reserves and account for purchase premiums and discounts. This would significantly increase the operational burden and costs to implement the proposed standard without any added benefit since we currently exclude the consolidated CDO impact from our operating results.

Additionally, underlying collateral of some CDOs may hold investments in other CDOs resulting in limited visibility into the cash flow characteristics of the ultimate underlying collateral. We believe there are significant challenges and cost in evaluating the cash flow characteristics, effectively outweighing the benefits achieved.

We strongly suggest the FASB retain the fair value option for consolidated CDOs and effectively converge with the IASB on fair value options. The fair value option was recently discussed in contemplation of EITF 12-G “*Accounting for the Difference between the Fair Value of the Assets and the Fair Value of the Liabilities of a Consolidated Collateralized Financing Entity*” and seems widely accepted by the FASB Board.

Financial Statement Presentation

The FASB is currently deliberating several significant accounting standards that impact our financial statements. We are concerned that the FASB, in general, is proposing detailed disclosures on the face of the financial statements that would be more useful if placed in the financial statement footnotes. We are concerned that the aggregate disclosures in this ED and the proposed disclosures in other exposure drafts will make the financial statements cumbersome and more difficult for users to understand. For example, we suggest that the parenthetical presentation of amortized cost and fair value on the balance sheet be eliminated. The ED proposes that these amounts be disclosed in the various account roll-forwards and disclosures. It is duplicative to include in both places. We also suggest that the components of investment income, including interest earned, amortization and accretion, realized and unrealized gains and losses and foreign currency gains and losses should be included in the footnotes. A reporting entity’s income statement will become very lengthy and cluttered if it is required to present what may amount to eight different line items for investment income. This detailed information is better suited to the financial statement footnotes.

Held-for-Sale Definition for Equity Method Investments

We believe that the criteria outlined in 323-10-15-20 for determining whether an equity method investment is held-for-sale could lead to equity investments in limited-life entities being accounted for as held-for-sale. If this was not the FASB’s intent, we request that the Board refine the held-for-sale criteria to explicitly exclude limited-life entities.

Foreign Denominated Financial Assets Classified as FV OCI

We believe reflecting the fair value changes attributable to foreign currency through the income statement for financial assets carried at FV-OCI introduces additional complexity to implementing the proposed ED. We acknowledge that bifurcating the change in fair value related to foreign currency and recording it in net income is consistent with Topic 830. However, we believe that recording the full change in fair value in other comprehensive income is not only reasonable, but also consistent with the current accounting for foreign-denominated investments classified as available-for-sale. We believe that since the FASB has concluded that it is appropriate to record interest and credit related changes in fair value through other comprehensive income based on the cash flows and business model then foreign currency changes should also be FV-OCI. This change would simplify the adoption of the accounting model for entities that have foreign-denominated financial assets classified as FV-OCI.

Effective date, implementation and interaction with other FASB projects

As we noted above, our employees play a significant role in evaluating investment decisions and we believe the ED will require a significant increase in the time needed to evaluate investments due to the cash flow criteria. We will need time to educate our investment personnel and consider technology solutions that are not in place today. Any operational process or technology solution will need to be designed and tested prior to the effective date of the ED. In addition, adequate internal controls over financial reporting would need to be designed and operating effectively at adoption, including documentation and facilitating the auditor testing of controls and underlying transactions. We expect implementation of a final standard to require at least 24 to 36 months after the issuance of the final standard. If a final standard is published by the FASB during the first half of 2014, the most appropriate effective date of the standard would be for interim periods beginning after December 15, 2016.

Based on this lengthy implementation expectation, we request that the FASB consider aligning the effective date with the Insurance Contracts standard due to significant interactions these standards have for the insurance industry. Aligned effective dates for these standards will help financial statement users better understand the significant accounting changes and how the interaction of these two standards and their impact on our financial condition, results of operations and cash flows.

Conclusion

We believe the proposed standard is cost-prohibitive. The proposed standard will require significant implementation costs and does not provide financial statement users with more decision-useful information or clarity. With appropriate modifications to the ED as noted above, the FASB can issue a standard that appropriately weighs the compliance costs with the benefits to the users.

Thank you for your consideration of our comments on this topic. If you have any questions, comments or would like further information, please contact me at (612) 678-4769.

Sincerely,

A handwritten signature in black ink that reads "David K. Stewart". The signature is written in a cursive, flowing style.

David K. Stewart
Senior Vice President and Controller