

May 31, 2013

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Re: Financial Instruments – Credit Losses (Subtopic 825-15) FASB File

Reference: 2012-260; and

Financial Instruments: Expected Credit Losses IASB Exposure Draft ED/2013/3

Dear Sir/Madam,

The Bank of New York Mellon Corporation ("BNY Mellon") appreciates the opportunity to comment on the FASB's Proposed Accounting Standards Update, Financial Instruments – Credit Losses, Subtopic 825-15 (the "FASB Exposure Draft") and the IASB's Financial Instruments: Expected Credit Losses IASB Exposure Draft (the "IASB Exposure Draft"). BNY Mellon is a global financial institution with \$356 billion in assets and \$1.4 trillion in assets under management.

For financial assets held for the collection of principal and interest cash flows, we support a move from an incurred loss model to a model that measures estimated expected credit losses and that these estimates should take into account reasonable and supportable forecasts. We support the FASB's guidance outlining various methods, which are consistent with currently available risk management practices, that would be consistent with this principle.

We have read both the IASB's and the FASB's Exposure Drafts and have come to a view that the proposed current expected credit losses ("CECL") proposal by the FASB appears to be a

suitable approach for measuring credit losses on financial assets and we believe had such a model been in place, allowing recognition of forecasted credit losses, it may have allayed some of the "too little too late" concerns with bank's measurements of their allowance for loan losses during the 2008-2009 financial crisis.

We agree with the FASB proposal that changes in the allowance for expected credit losses (favorable or unfavorable) should be recognized immediately for both purchased credit impaired assets and non-purchased credit impaired assets as bad debt expense rather than yield. We also agree with the FASB's proposed treatment of write-offs, in that an entity shall reduce the cost basis in a financial asset in the period in which the entity determines that it has no reasonable expectation of future recovery and the allowance shall be reduced by the amount of the financial asset balance written off.

Credit Impairment Accounting for Debt Securities is Not Broken

We do believe, however, that the critical improvements the FASB made at the height of the financial crisis in April 2009 to the accounting for credit impairment of debt securities (FASB Staff Position FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments) have adequately addressed concerns regarding credit loss recognition in those assets. One of the changes made by that FSP was to remove the probable threshold for assessing whether a debt security is other than temporarily impaired. As noted in the FASB Exposure Draft at BC20, that change clarified that an entity should not wait for an event of default or other actual shortfall of cash flows to conclude that a credit impairment exists. Therefore we do not believe that the scope of the FASB's proposal needs to encompass debt securities; and the other than temporary impairment ("OTTI") model should be retained for all debt securities. We recommend that this impairment model be extended to all assets that are held for the collection of principal and interest or for sale, where the changes in fair value are recorded in other comprehensive income.

However, consistent with the principles in the CECL model, when the credit loss estimates are revised, the impairment provision recorded through earnings should be decreased or increased to reflect those revisions.

The practical expedient described in the FASB Exposure Draft, should the FASB not decide to retain the existing OTTI credit impairment model for debt securities measured at fair value with qualifying changes in fair value recognized in other comprehensive income has some flaws that might be addressed by changing the wording. The two criterion for application of the practical expedient: (a) the fair value of the individual financial asset is greater than (or equal to) the amortized cost basis of the financial asset and, (b) the expected credit losses on the individual financial asset are insignificant could be changed from an "and" test to an "or" test.

Nonaccrual Guidance Belongs in US GAAP,

We believe that it is appropriate to codify the existing nonaccrual guidance in US GAAP. Nonaccrual guidance in the FASB proposal should be conformed to existing regulatory

nonaccrual guidance which has been consistently applied by banks and is well understood and accepted by constituents.

Troubled Debt Restructurings Categorization and Disclosures is Obsolete

The FASB's existing guidance for troubled debt restructurings ("TDR") accounting and disclosures would become obsolete with the implementation of a new credit losses model because all loans would have been captured in a credit impairment measurement model. The triggering aspect of TDR categorization would be moot. The recently implemented credit quality disclosures regarding loan modifications have adequately addressed the need for more transparency in this regard and there is no conceivable purpose for incremental TDR accounting and disclosures.

Thank you for considering our comments regarding the Exposure Draft. If you have any questions or require further information, please contact me at 212-635-7083.

Sincerely,

J. Robert Hitchings Managing Director

Head, Technical Accounting Group