



September 20, 2013

Ms. Susan Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Via email to director@fasb.org

RE: File Reference No. 2013-310

Dear Ms. Cospers:

We are pleased to comment on the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Update, "Definition of a Public Business Entity: An Amendment to the Master Glossary" (Proposal). We support the Board's decision to expedite this project so entities that do not meet the definition of a public business entity may avail themselves to Private Company Council (PCC) accounting alternatives as they are issued. Aside from the scoping for purposes of the PCC alternatives, we note this project is equally important for all FASB standard-setting activities as we observe the Board typically provides delayed effective dates, and in some cases scaled disclosures, for non-public entities. As such, we are concerned with the continued existence of multiple terms and definitions that currently exist in the Master Glossary to the Accounting Standards Codification (ASC). This is problematic for two reasons. First, the definitions are not sufficiently clear to determine whether an entity is or is not considered public. In some cases, the determination of whether an entity is "public" is being made based on judgment. Secondly, the existence of the multiple terms and definitions lacks a conceptual foundation. As such, we sincerely appreciate the Board undertaking this project and support the Board in its mission to develop one definition of what is and is not a public business entity.

It is paramount to have one, and only one, definition of what is a public entity in the Master Glossary. In light of the aforementioned concerns, we encourage the Board to adopt one definition of a public business entity and not simply create yet another definition which will add to the current confusion. While our preference is to have one definition be effective immediately for all U.S. GAAP, we recognize this might not be possible without understanding all of the possible consequences of eliminating the existing definitions of public and non-public entities contained in the Master Glossary. Should the Board determine it is not possible to establish only one definition of a public entity at this time, we strongly encourage the Board to make a second phase of this project a high priority.

For purposes of the scope, our view is that the filing or furnishing of financial statements with the Securities and Exchange Commission (SEC) or another regulator, in accordance with the Securities Exchange Act of 1934 ('34 Act) or other federal securities law, should be the primary basis for determining whether an entity is a public business entity rather than trying to navigate the other criteria the Board has proposed which we believe would result in possible unintended consequences. As proposed, some entities, which currently do not consider themselves to be public, would be considered public business entities. Based on our experience, there are vast differences in intent and behavior between an entity who files with the SEC or another regulator in accordance with a federal securities law such as the '34 Act and an entity that does not, even if their securities happen to be traded on one of the "over the counter" markets. There are also often significant differences in the resources available to be

devoted to financial reporting, the sophistication of the entities, as well as differences in the users of their financial statements. We also observe that certain entities would be scoped in who do not have periodic reporting requirements, unlike an entity who files quarterly with the SEC or another regulator in accordance with the '34 Act.

Our comments to specific questions in the Proposal are included in Attachment 1.

Please contact Sydney K. Garmong or Scott G. Lehman should you have any questions.

Sincerely,

Crowe Horwath LLP

Crowe Horwath LLP

Responses to the Proposal's Questions

Question 1: Please describe the entity or individual responding to this request. For example:

- a. Please indicate whether you primarily are a preparer, user, or public accountant. If other, please specify.
- b. If you are a preparer of financial statements, please indicate whether your entity today is considered privately held or publicly held and describe your primary business and its size (in terms of annual revenue, the number of employees, or other relevant metric).
- c. If you are a public accountant, please describe the size of your firm (in terms of number of partners or other relevant metric) and indicate whether your practice focuses primarily on public entities, private entities, or both.
- d. If you are a user of financial statements, please indicate in what capacity (for example, lender, investor, analyst, or rating agency) and whether you primarily use financial statements of private entities or those of both private entities and public entities.

Crowe Horwath LLP is one of the largest public accounting and consulting firms in the U.S. serving both private and public companies. We have approximately 2,600 personnel and over 250 partners. We are one of the nine U.S. firms currently inspected annually by the Public Company Accounting Oversight Board, and are an independent member of Crowe Horwath International which includes more than 150 independent accounting and management consulting firms with offices in more than 100 countries around the world. Our audit practice focuses on both private and public companies.

Question 2: Do you agree with the definition of a public business entity included in this proposed Update? Please explain why.

No, we recommend limiting the definition to criteria (a) and (b), with certain modifications. Our view is that the filing or furnishing financial statements with the SEC or another regulator under the federal securities laws, such as the '34 Act, should be the determining factor on whether an entity is a public business entity. As proposed, many entities, which currently do not consider themselves to be public, would be scoped into the definition.

Based on our experience, there are vast differences in intent and behavior between an entity who files with the SEC or another regulator under the federal securities laws such as the '34 Act and an entity that does not, even if their securities happen to be traded on an "over the counter" market. There are also differences in available resources and sophistication of the entities as well as the users of their financial statements. We also observe that certain entities would be scoped into the public entity definition that do not have periodic reporting requirements, unlike an entity who files quarterly with the SEC or another regulatory under the '34 Act. Those entities could include certain financial institutions and broker-dealers.

As such, we recommend that criteria (c), (d) and (e) be removed from the proposed definition. We have provided the basis for our recommendation below for each criterion.

Criteria (a) and (b)

We generally agree with criterion (a) and (b) because we believe there should not be recognition and measurement differences for entities whose financial statements are required to be or are included in a filing under federal securities laws. However, we recommend several modifications to these two criteria as discussed below.

Application to Entities Who Financial Statements are Required to be Included in a Filing

We believe there are two instances where there may be unintended consequences: private companies that are acquired by a public entity and significant equity method investees of a public entity. The SEC currently grants disclosure relief to private companies in these situations, in the "Division of Corporation

Finance Financial Reporting Manual,” when those disclosures are “specifically excluded from the scope of the FASB standard” as follows:

Acquired Businesses

“2005.1 Financial statements of the acquired business are generally the same as those as if the acquired company were a registrant as described in Topic 1, except that the number of years of audited financial statements is determined by the level of significance (Section 2030 below). Refer to Sections 2045 and 2050 regarding age of financial statements.

Exceptions: An acquired business that is a nonpublic entity, as that term is defined in GAAP, need not include disclosures if specifically excluded from the scope of the FASB standard.

Examples include:

- a. Segment information under SFAS 131 [SFAS 131, par. 9 / ASC 280-10-15-3],
- b. Certain disclosures about employers’ pensions and other postretirement benefits [SFAS 132(R), par. 8 / ASC 715-20-50-5]
- c. Earnings per share under SFAS 128 [SFAS 128, par. 1 / ASC 260-10-05-1]”

Equity Method Investee

“2400.5 Financial statements required for the equity method investee are generally the same as those that would be required if the equity method investee were a registrant as described in Topic 1. Refer to Section 2405.11 regarding age of financial statements and Section 2405.3 for audit requirements.

Exceptions: An equity method investee that is a nonpublic entity, as that term is defined in GAAP, need not include certain disclosures if specifically excluded from the scope of the related FASB standard. Examples include:

- a. Segment information under SFAS 131 [SFAS 131, par. 9 / ASC 280-10-15-3]
- b. Certain disclosures about employers’ pensions and other postretirement benefits [SFAS 132(R), par. 8 / ASC 715-20-50-5]
- c. Earnings per share under SFAS 128 [SFAS 128, par. 1 / ASC 260-10-05-1] (Last updated: 9/30/2010)”

In these two situations, it appears private entities would no longer be excluded from the scope of the related FASB standard given these entities would be deemed public business entities under the Proposal. As a result, all public company disclosures would be required, which would be more onerous than today’s current disclosures a private entity would need to follow in these circumstances. We recommend that the Board address this situation or engage the SEC in order to determine a solution that would not require these disclosures upon issuance of these standards.

Application to Broker-Dealers

All broker-dealers are required to file audited financial statements with the SEC pursuant to Rule 17a-5 of the ’34 Act. As proposed, registered broker-dealers would be considered public regardless of size, complexity, or ownership structure. Based on our experience, those attributes vary widely among broker-dealers and we are concerned the Proposal will require all broker-dealers to be deemed public business entities. Many broker-dealers are privately owned (non-issuers) and relatively small and simple from an accounting and reporting perspective.

We also observe that the financial statements for broker-dealers are principally used for financial safety and soundness determinations rather than direct investment decision-making. Similar to financial institutions, broker-dealers also have a public accountability notion because they hold and manage financial resources for a broad group of individuals for investment purposes and act in a fiduciary capacity. We observe that for financial institutions, the Board rejected using that criterion to determine whether an entity is public because of its view that “public accountability applies to many regulated industries and should not be a factor in determining whether an entity is considered public for financial reporting purposes.” [Paragraph BC22] As such, there is not a compelling reason to conclude that all broker-dealers should be considered public based on a public accountability notion. Rather, financial

statements for broker-dealers are used, similar to financial institutions, often to discern financial safety and soundness.

As a further demonstration that the financial statements are used for safety and soundness purposes, broker-dealers are only required to make balance sheet audited financial statements available to the public. Full audited financial statements can be filed confidentially with the SEC.

For these two reasons, we recommend that non-issuer broker-dealers be excluded from the scope and the Board consider, as is proposed for not-for-profits and employee benefit plans, factors such as user needs and resources, on a standard-by-standard basis, when determining whether all or only certain broker-dealers would be eligible to apply private company accounting and reporting alternatives within U.S. GAAP.

Clarification for Employee Benefit Plans

Given the unique characteristics of employee benefit plans, we agree with the proposed scope exceptions for employee benefit plans, as described by the Board in paragraphs BC35-36. We also agree the Board should decide whether all, none, or some employee benefit plans should be permitted to apply private company accounting and reporting alternatives within U.S. GAAP.

We recommend the Board clarify criterion (a) and (b) to specifically exempt employee benefit plans. As currently drafted, criterion (a) and (b) would scope in all employee benefit plans that are required to file with the SEC. However, the proposed guidance scopes out all employee benefit plans within ASC Topics 960 through 965. Given this conflict, it is uncertain which guidance is the overarching guidance for employee benefit plans. Based on the discussion in paragraph BC36, we believe the Board intends to scope out all employee benefit plans from being considered a public business entity.

Furthermore, we observe that the scope exceptions provided for employee benefit plans and not-for-profits are not necessarily the overarching guidance given that not-for-profit conduit debt obligors are in the scope of a public business entity. Because the scope exceptions provided are not clearly the overarching guidance and the fact that the clarification for employee benefit plans only exists in the basis for conclusion, we recommend the Board modify criterion (a) and (b) to either specifically exempt employee benefit plans or reference the scope exception provided for employee benefit plans (e.g. "except as provided in the scope exception").

Clarification for Not-For-Profits / Conduit Bond Obligors

Consistent with our comments regarding employee benefit plans, we recommend clarification on which is the overarching guidance for a not-for-profit that issues or is an obligor for conduit debt securities: the scope exception provided for not-for-profits or the guidance in criteria (a) through (e). As currently drafted, it would appear that certain conduit debt obligors would be deemed public based on criteria (a) and (b). Furthermore, it would appear all conduit debt obligors would be deemed public based on criterion (d) if they issue unrestricted securities that are traded or can be traded on an exchange or an over-the-counter market. Unlike the guidance for employee benefit plans, which would seemingly use the scope exception as the overarching guidance, a not-for-profit conduit debt obligor would appear to use the guidance criteria (a)-(e) instead.

Criterion (c)

Private Placements

We are concerned with the proposed language in criterion (c) as it may inadvertently cause some unintended entities to be deemed public. As drafted, certain entities, such as financial institutions, could be deemed to be public if they execute private placements because they would typically be required to file an audited financial statement with their primary regulator prior to the transaction. However, many private placements are targeted to a limited investor base. For example, the offering might be only available to residents in a certain geographic area; or only to "accredited" investors; or some other criteria which limits

the scope to whom the securities are offered. Often times, these investors have greater ability to access management. Based on the Board's reasoning on restricted securities in paragraph BC18, it seems a limited offering, such as a private placement, should not result in an entity being deemed a public business entity.

We also observe a conceptual difference between an entity that undertakes an initial public offering (IPO) with on-going periodic reporting requirements versus an entity that raises capital through a private placement. Unlike those entities that file or furnish financial statements with the SEC or another regulator under the '34 Act, many entities executing a private placement would not have on-going periodic reporting requirements such as interim financial statements subject to review by an entity's independent auditor (Form 10-Q). Given the lack of on-going periodic filing requirements, we do not see a conceptual basis for requiring an entity to be deemed public solely for issuing securities in a private placement.

Consistent with our view that the filing or furnishing of financial statements with the SEC or another regulator in accordance with federal securities laws, such as the '34 Act, should be the determining factor on whether an entity is public, we recommend the criterion for the requirement "to file or furnish financial statements with a regulatory agency in preparation for the sale of securities or for purposes of issuing securities" be removed.

We also can envision challenges for the on-going determination of whether such an entity is public. As an illustration, if a private placement occurs in one year, it is not clear how much time must pass before the entity is no longer deemed to be public. For example, if an entity executes a private placement as of June 30th of a given year, it is not clear if that entity would still be deemed to be public for financial statements as of December 31st of that same year. As described in paragraph BC16, we understand the Board is sensitive to an entity having to re-evaluate whether or not it is public – and this is an example of possibly causing an entity to make such a re-evaluation. While we recommend this criterion be removed, if the Board chooses to retain this criterion, we recommend that guidance be provided to address how the passage of time impacts the determination of whether an entity is determined to be public and when a reassessment should be performed.

Criterion (d)

Consistent with our view that the definition of a public business entity should be based on whether or not an entity files or furnishes financial statements with the SEC or another regulator in accordance with federal securities laws such as the '34 Act, we disagree with criterion (d), for several reasons as described below, and recommend this criterion be eliminated in the final definition.

Conduit Debt Obligors

The basis for conclusions, as described in paragraphs BC19 and 20, notes the Board discussed whether to limit the scope to only those conduit bond obligors that are required to indirectly comply with SEC Rule 15c2-12, "Municipal Securities Disclosure." We agree with those Board members whom expressed support for this alternative because those entities typically have conduit bonds that are more widely traded, typically have more financial statement users and less access to management. The Board considered "access to management" in its determination to distinguish between restricted and unrestricted securities. We believe there is an inconsistency between the rationale used for conduit debt obligors versus the rationale for unrestricted securities as the Board arrived at different conclusions when considering "access to management."

We also observe that a conduit debt obligor might or might not have on-going periodic reporting requirements. Typically, the requirements would be for annual reporting. Given the possible lack of on-going periodic reporting requirements, we do not believe there is sufficient basis for requiring a conduit debt obligor to be deemed to public other than for those who are required to comply with SEC Rule 15c2-12.

Reference to Over the Counter (OTC)

Community banks and thrifts with securities that are or can be traded on an exchange or an over-the-counter have historically not considered themselves to be “public” if they do not file or furnish financial statements with the SEC or primary bank regulator under the '34 Act. We recommend the Board re-evaluate whether this criterion should be included in the definition – not only for community banks but to any entity that trades on an exchange or an OTC market but does not file in accordance with the '34 Act. Based on our experience, an entity’s securities can be quoted on an OTC market in a variety of ways. In some cases, the entity intentionally registers with an OTC market in an effort to provide more visibility for their shares and possibly liquidity for their shareholders. In other cases, the security might be quoted as a result of two brokers facilitating an exchange of the entity’s securities.

For entities whose securities are quoted on an exchange, the financial reporting requirements vary widely. Certain exchanges, such as the New York Stock Exchange (NYSE), have on-going periodic reporting requirements, such as quarterly reporting. Other vehicles, such as the OTC Markets (www.otcmarkets.com), have varying financial statement requirements. In some instances, those requirements can be satisfied with a regulatory report (e.g. a Report of Condition and Income, commonly referred to as a “Call Report” for a financial institution). While a Call Report for a financial institution must comply with U.S. GAAP, it differs from a U.S. GAAP interim financial statement filed under the '34 Act which is subject to review by an entity’s independent auditor. Based on our experience, there are vast differences in intent and behavior between an entity who files with the SEC or other regulator under the '34 Act and an entity that does not, even if their securities are traded.

If the Board chooses to retain this criterion, we recommend the evaluation be performed based on a qualitative “intent-based” assessment rather than scoping based on whether an entity’s securities are traded. Given the ambiguity with the existing ASC definitions, preparers and auditors are currently making judgment based decisions to determine whether an entity is public. In our experience, auditors and preparers have been able to make the determination whether an entity is public using intent-based criteria such as: proactively choosing to list on an OTC market; broadly making audited financial statements available to the public; making quarterly announcements on earnings; and other observable factors such as the volume of shares bought or sold or the degree of insider ownership. As previously noted, we also do not believe that an entity should be deemed to be a public business entity through no volition of their own, such as two brokers facilitating a trade between two private parties and the trade price recorded on an OTC market. For the above reasons, we recommend the Board simply eliminate criterion (d).

While we recommend the Board eliminate this criterion from the Proposal, if the Board chooses to retain it, we suggest two clarifications. First, we recommend further guidance be provided on an OTC market. The two prevalent OTC markets are the OTC Bulletin Board (www.otcbb.com) and the OTC Markets. However, the term OTC is undefined and we envision the possibility of broad interpretation of what constitutes an OTC market. For example, there are many brokers who facilitate exchanges between two private parties. While we doubt this is what the Board intended, we can certainly envision that being an OTC market. The “Grey Market” is an example of where stocks can be traded between broker-dealers and the trades are self-reported to the broker-dealers’ self-reporting organization (SRO) and that trade data is made available through various financial reporting sources. The company whose stock was traded may not even be aware that a trade has occurred.

Secondly, we recommend clarification of the term “can be traded.” It is unclear whether this means the stock is listed on some exchange and could be traded but perhaps is not traded or whether this means an entity has the ability to list its shares on some exchange which would enable shares to be traded. Again, we believe that the ability to be traded on an OTC market should not require inclusion in the definition of a public company, rather only the ability to be traded on an exchange which usually requires the entity to be a public registrant with the SEC or other regulatory agency should be deemed a public entity.

Criterion (e)

Consistent with our view that the definition of a public business entity should be based on whether or not an entity files or furnishes financial statements with the SEC or another regulator in accordance with a federal securities law such as the '34 Act, we disagree with criterion (e), as described below, and recommend this criterion be eliminated.

Reference to Unrestricted Securities

One such example would be an S-corporation, which is explicitly limited to the number of shareholders it can have as well as other restrictions (e.g., type of shareholder). Based on the Board's reasoning, in paragraph BC18, that a distinguishing feature would be access to management, we believe that shareholders in an S-corporation would typically have greater access to management than perhaps a C-corporation. Stock in an S-corporation is not inherently restricted on transferability. Many S-corporations place transfer restrictions on the stock to prevent any shareholder from inadvertently selling the S-corporation election to a disqualifying shareholder (e.g., such as a corporation, partnership, IRA, certain trusts) or to the 101st shareholder. However, there are some S-corporations where the transfer of the shares is not restricted in which case those S-corporations could be deemed a public business entity. We question whether that result is what the Board intended.

Reference to "Publicly Available"

We have several concerns related to the use of the term "publicly available" and how it would be applied in practice. All financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) have a requirement to make financial information publicly available upon request. However, the request can be satisfied with audited financial statements or unaudited condensed financial statements or a regulatory report. It is unclear whether this requirement would trigger the financial statements to be "publicly available."

All federally insured depository institutions with consolidated total assets of \$500 million or more are required to file annual audited financial statements reports with the FDIC. While the FDIC does not post these financial statements on their website, they are available from the FDIC by request. It is unclear if financial statements which are available upon request would be deemed "publicly available."

Aside from federally insured depository institutions, there are other entities who submit financial statements to a federal regulator (e.g., U.S. Department of Housing and Urban Development (HUD)) who might have to provide financial statements upon request under the Freedom of Information Act (FOIA). It is unclear if financial statements which might be available under that Act would be deemed "publicly available."

Additionally, some entities post their financial statements on their website but not necessarily to comply with a legal or regulatory requirement. It is unclear if those would be deemed "publicly available." In our experience, financial institutions often make financial statements available to prospective, as well as current, borrowers and depositors. In those situations, the financial statements are shared to assist the counterpart in evaluating the safety and soundness of the entity rather than for purposes of making an investment decision. Financial institutions might also make their financial statements publicly available in an effort to demonstrate financial stability to its community.

Reference to Legal or Regulatory Requirements

Part 363 "Annual independent audits and reporting requirements" of the FDIC Rules and Regulations (Part 363) requires insured depository institutions with consolidated total assets of \$500 million or more to file annual audited financial statements reports with the FDIC. Given that these U.S. GAAP financial statements are being filed on a periodic basis with a regulatory body, it appears that these financial institutions (i.e., banks and thrifts with unrestricted securities) would be included in the definition of a public entity. There are many institutions subject to Part 363 which currently do not consider themselves public companies because they do not file or furnish financial statements with the SEC or primary

regulator in accordance with a federal securities law such as the '34 Act. As proposed, we believe many of these institutions would be deemed a public business entity. As such, we recommend the Board re-evaluate whether it was intended to include these entities in its proposed definition.

We also observe that the Board has taken the view that while financial institutions are considered to be "public interest entities," that concept in and of itself is not a basis for deeming financial institutions to be public business entities. In paragraph BC22, the Board states:

"BC22. The Board discussed whether to include all financial institutions in the definition of a public business entity on the basis of public accountability because financial institutions hold and manage financial resources for a broad group of individuals for investment purposes and act in a fiduciary capacity. That notion of public accountability is consistent with the decision reached by the IASB when it finalized its IFRS for SMEs. The Board rejected that alternative because of its view that public accountability applies to many regulated industries and should not be a factor in determining whether an entity is considered public for financial reporting purposes."

Given that conclusion, it seems the Board did not intend to widely apply U.S. GAAP for public entities to financial institutions; however, the Proposal could result in that outcome.

We also observe there are some institutions subject to Part 363 which would not be included in the scope. For example, mutually-owned institutions and institutions with no unrestricted shares would be excluded. It is not clear whether the Board intended for this result.

Furthermore, states have various legal and regulatory reporting requirements which could result in an entity to be deemed a public business entity under the Proposal. For example, there are many states which have a financial statement audit requirement for financial institutions due to either a state statute or state regulation. We recommend the Board re-consider if this was their intent, again in light of the conclusion reached by the Board, that banks which are public interest entities should not be deemed "public" simply due to that designation. With the varying state requirements, this again broadens the scope significantly for financial institutions.

Disparity Between Federally Insured Depository Institutions

Furthermore, we observe a disparity would exist between banks and credit unions. Both credit unions and banks that have consolidated total assets of \$500 million or more are required to have audited financial statements by the National Credit Union Administration (NCUA) and FDIC respectively. As previously mentioned, it appears that banks with unrestricted securities that file under Part 363 of the FDIC would be considered public business entities under the proposed amendments. Credit unions, however, do not have securities and as a result appear to be scoped out of the definition of a public entity. We believe credit unions should not be considered public business entities. However, we observe that both credit unions and banks are insured depository institutions, with the only difference being one entity has unrestricted shares while the other does not. Given the possible disparate outcome, we question if this criterion results in an outcome that the Board envisioned.

Clarification on Call Reports for Financial Institutions

While we recommend the Board eliminate this criterion, if the Board chooses to retain it, we recommend the Board provide a clarification for financial institutions. All federal insured depository institutions are required to file Call Reports. While these reports are prepared in accordance with U.S. GAAP and contain specific schedules for regulatory purposes, they do not contain all the required basic financial statements or the accompanying footnotes. We do not believe it was the Board's intention to scope such entities into the definition and furthermore believe that the existence of regulatory reporting requirements should not scope an entity into the definition. If our understanding is correct, we recommend that the definition be clarified such that Call Reports filed for regulatory purposes are not considered financial statements for the purpose of defining a public business entity.

Question 3: Do you agree that a business entity that has securities that are unrestricted and that is required to provide U.S. GAAP financial statements to be made publicly available on a periodic basis pursuant to a legal or regulatory requirement should be considered a public business entity? Please explain why. Can you identify a situation in which an entity would meet this criterion but would not meet any of the other criteria identified in the definition of a public business entity? In addition to what is discussed in paragraph BC18 of this proposed Update, do you think further clarification is needed to determine what an unrestricted security is?

No, we do not agree with the Proposal. Our comments are included in our response to Question 2. Yes, we believe there are circumstances where criterion (e) would scope in entities which otherwise would not be scoped in. Those circumstances are also included in our response to Question 2.

Question 4: Do you agree that no public or nonpublic distinction should be made between NFPs for financial reporting purposes? Instead, the Board would consider whether all, none, or only some NFPs should be permitted to apply accounting and reporting alternatives within U.S. GAAP. Please explain why.

Yes, given the unique nature of not-for-profits, we agree with the proposed scope exception as described by the Board in paragraphs BC32-34. We also agree the Board should decide whether all, none, or some not-for-profits should be permitted to apply accounting and reporting alternatives under U.S. GAAP.

As noted in our response to Question 2, we recommend clarification on which is the overarching guidance for a not-for-profit that issues or is an obligor for conduit debt securities: the provision which provides a scope exception for all not-for-profits or the guidance in criteria (a) through (e).

Question 5: Should the Board consider whether to undertake a second phase of the project at a later stage to examine whether to amend existing U.S. GAAP with a new definition resulting from this proposed Update? In that second phase of the project, the Board would consider whether to (a) preserve the original scope of guidance in the Accounting Standards Codification or (b) change the scope of guidance in the Accounting Standards Codification to align with the new definition. Please explain why.

Yes, although as mentioned in the beginning of our comment letter, we believe the preferred approach is to revise the ASC Master Glossary such that only one definition of a public entity remains, rather than adding to the confusion with the creation of yet another definition for the following reasons. First, the multiple definitions which exist have caused confusion which will only continue if existing definitions are retained.

Secondly, without one definition, we believe there will be challenges going forward. For example, if the Board chooses to amend a standard which distinguishes between public and private companies, the Board would need to decide which public company definition an entity should follow on adoption versus allowing entities to pick which definition they elect to follow. We also observe that typically, public entities must comply with amended standards earlier than non-public entities. As a result, the Board would have to consider providing a delayed effective for all public entities to allow time for the newly defined public entities to put processes in place to adopt all the guidance, not just the amendments. Having the multiple definitions that will result if the Proposal is adopted, the Board may need to provide three different effective dates: (1) public business entities which were deemed to be public under the existing GAAP, (2) public business entities which were deemed to be public under the revised definition in this Proposal and (3) non-public business entities. We envision much confusion would be created as a result.

While we believe it preferable to have one definition be effective immediately for all U.S. GAAP, we recognize this might not be possible without understanding all of the possible consequences of eliminating the existing definitions of public and non-public entities contained in the Master Glossary. For the reasons above, if the Board is unable to adopt a single definition of a public entity to be applied to all existing U.S. GAAP at this time, we recommend a second phase to this project as a high priority.