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Via Email: director@fasb.org

April 1, 2011

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

Re: File Reference 2011-150, *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities - Impairment*

Dear Ms. Cospers:

Ameriprise Financial, Inc. (“Ameriprise” or “we”), one of the nation’s leading financial planning, asset management and insurance companies, appreciates the opportunity to offer comments with respect to the Supplementary Document, *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities - Impairment* (the “SD”).

EXECUTIVE SUMMARY

We commend the Boards for considering the comments received on the Proposed Accounting Standards Update, *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* and support the Boards’ efforts to develop a comprehensive framework for financial instruments impairment recognition which simplifies the accounting for financial instruments and increases comparability between companies where appropriate. We also support the FASB’s efforts towards greater convergence with the IASB. However, we disagree with the proposed credit impairment model primarily for one reason; instead of the SD proposing a solution which makes impairment recognition easier to understand and implement, the SD has attempted to reach convergence at a cost of introducing an overly complex and theoretically challenging model.

We are concerned that by issuing the SD prior to developing comprehensive guidance on credit impairment and on classification and measurement of financial instruments that the Boards may apply the comments they receive incorrectly to impairment of financial instruments which are outside of the scope of the SD. Further, it is inappropriate to conclude on the treatment of financial instruments

assessed for credit impairment within a portfolio prior to understanding the treatment of financial instruments individually assessed for credit impairment. Therefore we strongly recommend the Boards issue a comprehensive exposure draft on impairment and classification and measurement of financial instruments prior to issuing a final standard for either topic.

Our detailed comments on the Proposed Statement are discussed in greater detail below.

RESPONSE TO IASB/FASB SUPPLEMENTAL DOCUMENT QUESTIONS:

Question 1

Do you believe the approach for recognition of impairment described in this supplementary document deals with this weakness (i.e., delayed recognition of expected credit losses)? If not, how do you believe the proposed model should be revised and why?

We believe that when the Boards developed this credit impairment model they were focused on smaller balance homogeneous financial assets which are currently assessed for impairment on a pooled basis under the guidance within ASC 450-20, *Loss Contingencies*. As an integrated financial services company, we have financial instruments for which we believe that if guidance within the SD is applied, it will lead to greater reserves being recorded earlier for these types financial assets. See our comments in each of the questions below regarding our specific comments on the proposed model.

Question 2

Is the impairment model proposed in the supplementary document at least as operational for closed portfolios and other instruments as it is for open portfolios? Why or why not?

Although the supplementary document seeks views on whether the proposed approach is suitable for open portfolios, the boards welcome any comments on its suitability for single assets and closed portfolios and also comments on how important it is to have a single impairment approach for all relevant financial assets.

As the SD does not define a “closed portfolio”, the Boards should work to ensure that a consistent definition of this concept is included in the final impairment standard. We believe the definition of a closed portfolio to be one that we are prohibited from trading the financial instruments which make up the portfolio. Based on our definition of a closed portfolio, we do not have securities within a closed portfolio carried at amortized cost or at FVTOCI. Therefore we offer no comments on that question.

We do not believe the impairment model proposed within the SD is operational for financial instruments assessed for impairment on an individual basis under the guidance within ASC 320-10, *Investments—Debt and Equity Securities* and ASC 310-10, *Receivables*. Instead, we recommend maintaining current accounting practices for determining credit impairment for these financial instruments. It is inappropriate to apply a statistical method that is generally used for portfolios (e.g., based on loss rates) to determine the amount of impairment for a unique loan or a debt security. The Boards should refrain from requiring that financial instruments assessed

individually for credit impairment need to be grouped with other instruments subsequent to determining that no credit impairment is necessary. If the Boards require entities to group these financial instruments into portfolios, the classification would be arbitrary, not provide decision useful information, and would lead to reserves which are not consistent with entities' risk management procedures. Further, we are concerned that forcing financial instruments which are assessed for impairment on an individual basis into portfolios will lead to entities changing their risk management procedures to comply with the accounting instead of providing accounting results which reflect prudent risk management procedures.

Question 3

Do you agree that for financial assets in the 'good book' it is appropriate to recognize the impairment allowance using the approach described above? Why or why not?

We are supportive of recording an allowance for assets within our "good book". However we believe that the approach is overly complex. We encourage the Boards to continue to work towards a model which requires a single impairment calculation to be performed for each pool.

As discussed in our comment letter, dated September 30, 2010, on Proposed Accounting Standards Update, *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities*, we believe that initial credit losses should follow the revenue recognition pattern. Therefore we support the SD's time-proportional allowance methodology as the required impairment calculation. The benefit of matching expected losses to revenue outweighs the difficulties in implementing the system changes necessary to comply with this model.

We do not support the foreseeable future model because it will lead to losses which do not follow the revenue recognition pattern. For example, this model would require losses to be recorded on portfolios of assets which were recently acquired or originated (a.k.a. day 1 losses). We believe this is not an accurate reflection of the economics of the transaction. Further, the difficulty in supporting and monitoring the amount of time within the "foreseeable future" of the proposed floor portion of the reserve calculation makes this approach extremely subjective and subject to second guessing with the benefit of hindsight. For example in 2007, no one would have predicted the extreme nature of the credit crisis that would occur in 2008. Further in 2008, no one would have predicted (and if they did, they would be unable to support) the recovery within the credit markets which has occurred. Based on the difficulty in applying the definition of foreseeable future across entities and the potential for the floor to create reserves which are pro-cyclical we do not support his approach.

Question 4

Would the proposed approach to determining the impairment allowance on a time-proportional basis be operational? Why or why not?

The proposed approach to determining impairment on a time-proportional basis can be made operational. We acknowledge that estimating lifetime credit losses may be difficult for complex financial instruments with longer lives. Therefore we recommend an adoption period of at least 5 years subsequent to the finalization of the standards on classification and measurement of

financial instruments and impairment. We also recommend that the Boards work towards determining how the time-proportional approach can be applied to financial instruments without a maturity date, such as credit card receivables.

Question 5

Would the proposed approach provide information that is useful for decision-making? If not, how would you modify the proposal?

For financial instruments which are assessed for impairment on a pooled basis we believe that the SD's proposed approach with the proposed changes suggested in our response to question 3 will provide decision-useful information.

Question 6

Is the requirement to differentiate between the two groups (i.e., "good book" and "bad book") for the purpose of determining the impairment allowance clearly described? If not, how could it be described more clearly?

For financial instruments which are assessed for impairment on a pooled basis, we believe that the guidance is sufficient to differentiate between the good book and bad book.

Question 7

Is the requirement to differentiate between the two groups (i.e., "good book" and "bad book") for the purpose of determining the impairment allowance operational and/or auditable? If not, how could it be made more operational and/or auditable?

For financial instruments which are assessed for impairment on a pooled basis, we believe that the conclusions which will be necessary to distinguish between the good book and bad book are operational and auditable.

Question 8

Do you agree with the proposed requirement to differentiate between the two groups (i.e., "good book" and "bad book") for the purpose of determining the impairment allowance? If not, what requirement would you propose and why?

For financial instruments which are assessed for impairment on a pooled basis, we believe that the requirement to differentiate between the good book and bad book is appropriate. We don't believe that the good book and bad book approach is appropriate for financial instruments which are assessed for impairment on an individual basis.

Note that we do not agree with the requirement in the IASB's SD to transfer a specific allowance amount to the other book when financial instruments are moved between the good book and bad book. Determining the amount of the allowance that is transferred for a specific asset or assets will be difficult due to the principle that these assets are assessed for impairment on a pooled basis. We believe that providing the amount of the book value that is transferred between the groups on a gross basis would accomplish the IASB's intent with much less subjectivity.

Question 9

The boards are seeking comment with respect to the minimum allowance amount (floor) that would be required under this model. Specifically, on the following issues:

- (a) Do you agree with the proposal to require a floor for the impairment allowance related to the “good book”? Why or why not?

See response below 9(f).

- (b) Alternatively, do you believe that an entity should be required to invoke a floor for the impairment allowance related to the “good book” only in circumstances in which there is evidence of an early loss pattern?

See response below 9(f).

- (c) If you agree with a proposed minimum allowance amount, do you further agree that it should be determined on the basis of losses expected to occur within the foreseeable future (and no less than twelve months)? Why or why not? If you disagree, how would you prefer the minimum allowance to be determined and why?

See response below 9(f).

- (d) For the foreseeable future, would the period considered in developing the expected loss estimate change on the basis of changes in economic conditions?

See response below 9(f).

- (e) Do you believe that the foreseeable future period (for purposes of a credit impairment model) is typically a period greater than twelve months? Why or why not? Please provide data to support your response, including details of particular portfolios for which you believe this will be the case.

See response below 9(f).

- (f) If you agree that the foreseeable future is typically a period greater than twelve months, in order to facilitate comparability, do you believe that a “ceiling” should be established for determining the amount of credit impairment to be recognized under the “floor” requirement (for example, no more than three years after an entity’s reporting date)? If so, please provide data and/or reasons to support your response.

As discussed within question 3, we disagree with the SD’s proposal to require a floor. However, if the Boards determine that a minimum allowance approach is appropriate, we believe that guidance should be developed which further defines “foreseeable future.” We believe that it is not the Boards’ intent that the foreseeable future includes the entire life of the asset. The Boards should specifically state this intention in the final standard. Further, the boards should determine the maximum number of months that would typically be

included within the foreseeable future to ensure consistency across entities, industries, and countries. Without this clarity around the Boards' definition of foreseeable future, companies could come to significantly different reserve amounts for very similar portfolios. As discussed in our response to question 3, we believe that the time period that supportable losses can be predicted with accuracy is a relatively short period of time regardless of the current economic condition, a period that we believe should not extend beyond 24 months.

Question 10

Do believe that the floor will typically be equal to or higher than the amount calculated in accordance with paragraph 2(a)(i)? Please provide data and/or reasons to support your response, including details of particular portfolios for which you believe this will be the case.

Due to the relatively short time period that we have had to respond to this comment letter and the uncertainty around the time period which is included within the foreseeable future, we have not been able to adequately assess whether or not the floor would cause a larger reserve than the time proportional approach.

Question 11

The boards are seeking comment with respect to the flexibility related to using discounted amounts. Specifically, on the following issues:

- (a) Do you agree with the flexibility permitted to use either a discounted or undiscounted estimate when applying the approach described in paragraph B8(a)? Why or why not?**
- (b) Do you agree with permitting flexibility in the selection of a discount rate when using a discounted expected loss amount? Why or why not?**

We agree with allowing for flexibility in utilizing discounted or undiscounted methods in determining lifetime expected losses. Further, we support flexibility in determining the discount rate if one chooses to discount the losses. There are situations where entities appropriately will want to apply one or the other approaches. For example, it may be operationally difficult to determine the effective interest rate for a portfolio of securities (especially if the portfolio is composed of variable rate instruments), therefore the entity may elect to utilize the risk-free rate or to not discount the future expected losses. But in other circumstances, the entity may be able to easily determine the effective interest rate for the portfolio and elect to utilize it in determining the amount of impairment to record. We believe that in times of reasonably low interest rates the difference between discounting and not discounting will be insignificant. However to ensure that financial statement users understand the specific approach entities are applying, entities' methods and reasons for using those methods should be disclosed. This will allow the users to discount or reverse the impacts of discounting if they would rather utilize another approach.

Question 12

Do you prefer the IASB approach for open portfolios of financial assets measured at amortized cost to the common proposal in this document? Why or why not? If you would not prefer this specific IASB approach do you prefer the general concept of the IASB approach (i.e., to recognize expected credit losses over the life of the assets)? Why or why not?

As discussed throughout this letter, for the financial instruments within the scope of the SD, we support the time proportional method of determining the amount of reserves. Therefore we generally prefer the IASB approach for measuring impairment for assets which are assessed on a pooled basis.

Question 13

Would you prefer the FASB approach for assets in the scope of this document to the common proposal in this document? Why or why not? If you would not prefer this specific FASB approach, do you prefer the general concept of this FASB approach (i.e., to recognize currently credit losses expected to occur in the foreseeable future)? Why or why not?

As discussed in question 12, we generally prefer the IASB approach for measuring impairment for financial instruments within the scope of this SD.

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

Sincerely,



David K. Stewart
Senior Vice President & Controller