CENTER FOR CAPITAL MARKETS COMPETITIVENESS

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Wes Bricker
Chief Accountant
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Russ Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7 / P.O. Box 5116
Norwalk, CT 06856

Dear Mr. Bricker and Mr. Golden:

The development and implementation of accounting standards is critical for capital markets to operate efficiently. Over the past several years, FASB has developed new accounting standards that greatly impact the financial statements of businesses and financial institutions including Revenue Recognition, Leases, Current Expected Credit Losses (CECL) and Insurance. We have heard concerns from a number of market participants regarding the implementation of each of these standards, which we believe necessitates an analysis and review of implementation procedures. The potential of unintended consequences for the CECL standard is particularly acute, and we wish to propose several steps to allow for banks and investors to interact with the SEC and FASB to quickly identify and address these issues.

CECL is a well-intended effort to improve decision-useful information related to loan losses at financial institutions. We appreciate that the standard is principles-based and does not require a specific credit loss method; rather, it allows the use of judgment in determining the relevant information and estimation methods that are appropriate in the circumstances.

However, the standard represents a significant change in the approach to making allowances for expected losses on loans and debt securities. As a result, financial institutions and others are facing a number of challenges in implementing the standard. CECL also requires financial institutions to incorporate forward looking forecasts of economic activity which is different than the historic reflection of economic activity that accounting standards have provided. Furthermore, there is interplay between CECL and the new capital standards that have been developed by banking regulators.

To address these challenges, the Chamber has the following suggestions:

- Provide a two-year phase-in from the public company effective date for dimplementation of the Revenue Recognition, Leases, CECL and Insurance Accounting standards for private companies, smaller reporting companies (SRCs) as defined by the Securities and Exchange Commission (SEC), and Emerging Growth Companies (EGCs). The Chamber believes that this would help assist with transition issues for small and private businesses. We believe that a two year period should be a standard practice moving forward.

- Form a FASB Operational Task Force to supplement the work of the FASB's Transition Resource Group, to focus on operations and control requirements arising in the implementation of CECL. The Operational Task Force should comprise a variety of stakeholders including financial firms and major credit providers.

- Encourage the use of the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section in SEC filings for disclosing any additional material information that would be useful to help educate investors and facilitate the comparison of CECL information among institutions.

- Ensure that any guidance for auditors emanating from the Public Company Accounting Standards Board (PCAOB), including that from subsequent PCAOB inspection of audit engagements that involve accounting under the new standard, is in sync with guidance from the FASB and SEC.

- Hold an SEC-FASB-PCAOB Roundtable within a year of the effective date of public company implementation of CECL to review any post-implementation issues and take the necessary action to make necessary adjustments.

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The Chamber believes that these steps would help private companies, EGCs, and SRCs adjust to new standards in the future. Furthermore, these initiatives would allow the FASB, SEC, PCAOB, financial firms, and investors to have several mechanisms in place to address any issues arising from the implementation of CECL. This would allow for the quick identification of any unintended consequences so they are addressed quickly. It also provides for an assessment of CECL to ensure that the standard is achieving its intended result without distorting activities, while providing comparable auditable information.

Thank you for your consideration of these suggestions.

Sincerely,

Tom Quaadman