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Via email to director@fasb.org (File Reference No. 2019-100)

Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Targeted Transition Relief for Topic 326, Financial Instruments—Credit Losses

Dear Ms. Cospers:

We are pleased to provide our comments on the Board's proposed transition relief. We support an irrevocable one-time election to apply the Fair Value Option (FVO) in transitioning to the new credit losses standard. We believe this will reduce complexity and enhance comparability in certain industries that are contemplating use of the FVO both for newly originated or purchased financial assets and existing similar instruments that have not been adjusted to fair value through earnings in the past.

We agree with the exposure draft as proposed, except for excluding held-to-maturity (HTM) debt securities from its scope. Given the cost, complexities and judgments involved in applying the new credit losses standard, we would not object to extending the proposed transition relief to HTM debt securities. Similarly, we also recommend that entities be allowed to make a one-time transition election to transfer instruments from a Held-to-Maturity (HTM) to Available-for-Sale (AFS) classification, on an instrument-by-instrument basis, without tainting their remaining HTM portfolio. This would provide entities that wish to apply a fair value measurement upon transition to CECL the ability to do so, without the resultant operational consequences that may arise upon a reclassification under the FVO.

For entities that have already adopted the new credit losses standard, we recommend allowing them to adopt the final standard upon issuance, following similar transition requirements as the proposal. However, early adopters may have additional feedback, including on transition considerations. Lastly, we do not believe incremental disclosures are necessary.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Gautam Goswami at (312) 616-4631, Tim Kviz at (703) 245-8685 or Brad Bird at (312) 730-1294.

Very truly yours,

BDO USA, LLP