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March 7, 2019

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

Via Email to director@fasb.org

Re: File Reference No. 2019-100

Dear Ms. Cospers:

Grant Thornton LLP appreciates the opportunity to comment on proposed Accounting Standards Update (ASU), *Targeted Transition Relief for Topic 326, Financial Instruments—Credit Losses*. We support the proposed Update and agree that the transition relief provided would allow entities to present financial statements using a single measurement method for both the financial instrument portfolio that exists as of the adoption date of ASU 2016-13 and the financial instrument portfolio that originates or is purchased after the adoption date.

Our responses to the questions for respondents are as follows.

Question 1: Do you agree with the amendments in this proposed Update to provide entities with an option to irrevocably elect the fair value option in Subtopic 825-10 for eligible instruments that are within the scope of Subtopic 326-20, except for held-to-maturity debt securities, upon adoption? If not, please explain your reasoning.

We agree with the amendments in the proposed Update to allow entities to irrevocably elect the fair value option in ASC 825-10 for eligible financial instruments that are within the scope of Subtopic 326-20.

However, we believe that the proposed amendments should be expanded to provide entities with a one-time option to irrevocably elect the fair value option for securities classified as held-to-maturity, without calling into question the entity's intent and ability with regard to other securities classified as held-to-maturity. We believe that any future sales of securities previously classified as held-to-maturity for which the fair

value option is elected should not call into question the entity's intent and ability with regard to other securities classified as held-to-maturity.

The election to reclassify held-to-maturity securities, without calling into question the entity's intent and ability to hold to maturity other securities classified as held-to-maturity, is consistent with the option provided to entities in ASU 2017-12 for instruments eligible for the last-of-layer hedging strategy.

We believe that there are no differences between held-to-maturity securities and other financial instruments within the scope of Subtopic 326-20 that should preclude entities from applying this option to held-to-maturity securities. Additionally, for the same reasons noted in BC13 of the proposal, we do not believe there is an opportunity for financial statement preparers to abuse this option.

Question 2: Do you agree with the proposed amendment that would require that the irrevocable election of the fair value option be applied on an instrument-by-instrument basis? If not, please explain your reasoning and provide an alternative.

We agree that the fair value option should be applied on an instrument-by-instrument basis, as provided in ASC 825-10.

Question 3: For entities that have not adopted Topic 326, should the effective date and transition requirements of the proposed amendments align with the effective date and transition requirements of the amendments in Update 2016-13? If not, please explain your reasoning and provide an alternative.

We agree that entities that have not adopted ASU 2016-13 should adopt the guidance in the proposed Update concurrently with the adoption of ASU 2016-13. We also agree that the transition requirements in the proposed Update should be same as the transition requirements in ASU 2016-13.

Question 4: For entities that have early adopted Topic 326, what should be the effective date and transition requirements for the proposed amendments?

Entities that have early adopted Topic 326 should be required to adopt the guidance in the proposed Update as of the mandatory effective date of ASU 2016-13 and should use the transition requirements for ASU 2016-13.

Question 5: Would additional disclosures be needed for the proposed amendments, beyond the disclosure requirements in Topic 250, Accounting Changes and Error Corrections, and Subtopics 820-10 and 825-10?

We have not identified additional disclosures that are needed other than those required in ASC 250, ASC 820-10, and ASC 825-10. However, we would defer to financial statement users on this topic.

Question 6: Do you support the Board's decision not to provide entities with an option to discontinue fair value measurements for financial assets measured at fair value through net income and instead apply the measurement guidance in Subtopic 326-20? If not, please explain your reasoning about why the measurement guidance in Subtopic 326-20 is preferable for the types of financial assets for which an entity would elect to discontinue fair value measurements.

We agree with the Board's decision not to provide entities with an option to discontinue fair value measurements for financial assets measured at fair value through net income and instead to apply the measurement guidance in Subtopic 326-20.

Additional comment

We believe that this proposed one-time election would increase the number of financial instruments measured at fair value on a recurring basis and would give more prominence to issues caused by the lack of accounting guidance on recognizing interest income on such instruments. Therefore, we would like to refer the Board to our agenda request dated December 6, 2018 and believe that the Board should consider adding a project to its agenda to clarify whether interest income should be recognized on financial instruments measured at fair value and, if so, what method should be used to recognize the interest income.

We would be pleased to discuss our comments with you. If you have any questions, please contact Rahul Gupta, Partner, 312 602 8084, rahul.gupta@us.gt.com or Graham Dyer, Partner, 312 602 8107, graham.dyer@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP