April 21, 2015

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

By e-mail: director@fasb.org

Re: Proposed Accounting Standards Update – Derivatives and Hedging (Topic 815): Disclosures about Hybrid Financial Instruments with Bifurcated Embedded Derivatives

(File Reference No. 2015-220)

Dear Ms. Cosper:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 28,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Robert M. Rollmann, Chair of the Financial Accounting Standards Committee at (914) 421-5605, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Scott M. Adair
President

Attachment

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

**PROPOSED ACCOUNTING STANDARDS UPDATE –
DERIVATIVES AND HEDGING (TOPIC 815): DISCLOSURES ABOUT HYBRID FINANCIAL INSTRUMENTS WITH BIFURCATED EMBEDDED DERIVATIVES**

(FILE REFERENCE NO. 2015-220)

April 21, 2015

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New York State Society of Certified Public Accountants

Comments on

Proposed Accounting Standards Update – Derivatives and Hedging (Topic 815): Disclosures about Hybrid Financial Instruments with Bifurcated Embedded Derivatives

(File Reference No. 2015-220)

General Comments

We welcome the opportunity to respond to the Financial Accounting Standards Board's (FASB) invitation to comment on the Proposed Accounting Standards Update, *Derivatives and Hedging (Topic 815): Disclosures about Hybrid Financial Instruments with Bifurcated Embedded Derivatives* (the Proposed Update).

We recognize that many financial statement users may be unaware of when contracts have been bifurcated. However, we are concerned that disclosure requirements, especially for nonpublic entities, are becoming too burdensome. Additional disclosures as proposed may appear useful, but it is not clear whether there is value to these disclosures or any demand for such information. Perhaps a simple descriptive statement accompanied by brief relevant financial information may be beneficial and less burdensome to provide. For example, disclosed financial information could be limited to the total hybrid financial instruments with bifurcated embedded derivatives and their corresponding amounts within each applicable balance sheet and income statement line item.

Should the FASB proceed with the Proposed Update, we recommend that the final standard be made optional for nonpublic entities. This recommendation is based on our concerns raised above and in the Specific Comments below, especially in regard to whether costs exceed benefits and whether financial statement users demand or need this information.

See our responses to the questions for respondents below.

Specific Comments

Question 1: Will the amendments in this proposed Update result in more transparent, decision-useful information about hybrid financial instruments with bifurcated embedded derivatives? If not, please explain why.

Response: We believe the proposed information, which allows aggregation by derivative type thereby limiting transparency, would be of minimal use to decision-makers. Likewise, we do not support disclosing individual transactions as we believe such an approach would be overly burdensome. Should additional information be provided, we prefer a table format to a narrative approach, but we agree with the FASB's proposal to allow either tabular or narrative disclosure.

Question 2: Should the scope of the amendments in this proposed Update be extended to include nonfinancial hybrid instruments with embedded derivatives that require bifurcation under Topic 815? If yes, please explain why and identify any other instruments that should be included in the proposed amendments.

Response: No, we would not extend the Proposed Update to include nonfinancial hybrid instruments. We consider the information that would be provided to be of minimal value, and nonfinancial hybrid instruments with embedded derivatives that require bifurcation are less frequently employed.

Question 3: Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?

Response: We agree that the proposed requirements are operable and auditable. However, we believe the FASB has underestimated the costs of complying with such requirements especially for nonpublic entities with more limited staff and resources. That may necessitate creation or purchase of appropriate systems and operating them on an ongoing basis to capture all of the necessary information. In view of the minimal benefits expected, the FASB should obtain realistic cost estimates. Such costs must be considered in determining whether to require a final standard for any entities, but especially for nonpublic entities.

Question 4: The proposed amendments would apply to all entities. Should the proposed amendments be different for entities that are not public business entities? If so, please describe how and why you think they should be different.

Response: We believe that a final standard should be optional for nonpublic entities, as previously discussed. Entities that elect to opt-out should be required to disclose this decision. The opt-out feature would allow users of nonpublic entities' financial statements to make known when they desire such disclosures. This should more closely link disclosures to users' needs.

Question 5: How much time would be needed to implement the proposed guidance? Should the amount of time needed to implement the proposed amendments by entities that are not public business entities be different from the amount of time needed by public business entities?

Response: Sufficient time to allow entities to purchase or create any systems needed to implement the proposed guidance should be provided. To ensure disclosures are fully captured, the effective date should begin at the start of fiscal year beginning after the Proposed Update's issuance. To enhance compliance, we recommend that the implementation period begin at least six months after the Proposed Update's issuance.

Our recommendation that nonpublic entities be allowed to adopt a final standard on an optional basis would enable such entities to postpone implementation until such time as they determine it to be beneficial, and also decide whether to utilize the standard for each interim and annual report. Limiting the reporting requirement to annual reports would also reduce the burden for public entities.