



January 31, 2011

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

Re: FASB Discussion Paper: "Effective Dates and Transition Methods" (File Reference No. 1890-100)

Dear Ms. Cospers:

The Dealer Accounting Committee of the Securities Industry and Financial Markets Association¹ (the "Committee") is pleased to offer you our comments on the above-captioned Discussion Paper. The Committee consists of internationally active dealers that operate across the full spectrum of the global capital markets.

We appreciate the opportunity to provide feedback to the Board regarding the implementation plan for the numerous accounting standards that the Board is expected to issue over the next year. The scope and anticipated impact of the proposed standards are significant and, perhaps, unprecedented. Therefore, it is essential that the process to adopt these standards be designed to ensure that issuers have ample time to prepare for an efficient and accurate adoption of the standards. Additionally, the process must be designed to ensure that the public and investor communities will not be confused by the changes and will maintain their confidence in the reliability of financial information.

Our overall recommendations are:

1. We support a single date approach with an option for entities to early adopt.
2. The effective date should be no sooner than 2016 because of the significant implementation costs, assuming the standards are finalized in 2011.
3. The transition method for "Accounting for Financial Instruments", "Fair Value Measurements" and "Offsetting of Financial Assets and Financial Liabilities" should be prospective to lessen implementation costs. If this suggestion is implemented, it may be feasible to require an effective date sooner than 2016.
4. The "Financial Statement Presentation" project should be deferred until all other projects have been completed and implemented.

¹ See the response to question # 1 in the Appendix.

5. We continue to support the efforts of the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) as they work towards converged accounting standards.

If you have any questions about our responses, please feel free to contact the undersigned (212-357-8437; matthew.schroeder@gs.com) or Kyle Brandon (212-313-1280; kbrandon@sifma.org), the staff advisor to the Committee.

Sincerely,

A handwritten signature in dark ink, appearing to read "Matthew L. Schroeder". The signature is fluid and cursive, with the first name "Matthew" being more prominent than the last name "Schroeder".

Matthew L. Schroeder
Chair
SIFMA Dealer Accounting Committee

Appendix: Response to Questions

1. Please describe the entity (or the individual) responding to this Discussion Paper.

Response: The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit www.sifma.org. As noted earlier, the Committee consists of internationally active dealers that operate across the full spectrum of the global capital markets.

2. Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):

a. How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each the new standard?

b. What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

Response: Of those proposals that have been published as exposure drafts, the “Accounting for Financial Instruments” (AFI) standard will have the most significant impact on firms in the financial services industry. While the precise impact and amount of time needed for implementation cannot be estimated until the final standard is issued, we expect that implementation will require major effort in terms of project management and organizational mobilization, systems and technology enhancements supporting both external and management reporting, extensive training for personnel throughout our organizations, as well as updates to policies and procedures documents and internal control procedures. Additionally, we expect considerable efforts to be invested in practical application and interpretation of the standard to individual fact patterns of transactions.

While proposals have not yet been published for “Fair Value Measurements” (FVM) and were just issued for “Offsetting of Financial Assets and Financial Liabilities” (Netting), we note that these proposals are closely related to AFI and will also require significant efforts as described in the previous paragraph. We believe that these three proposals (the “Three Proposals”), because of their natural relationship and interdependencies, should be considered as one unit when considering effective dates and transition methods.

Additionally, we expect that the “Financial Statement Presentation” (FSP) project, although at its early stages, will have an overarching impact on our member firms. Finally, the proposals on lease accounting may have significant administrative impact on firms with substantial leasing activities.

3. Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

Response: Regulatory reporting requirements often use GAAP financial statements as the “starting point” for regulatory calculations including capital requirements and leverage ratios. Standards that affect the size of the balance sheet (including netting, consolidations and leases) will impact that starting point. Additionally, financial statements prepared under GAAP (and particularly customer and counterparty balances) are also the starting point for the computation of customer protection requirements. The implementation of the Dodd-Frank Wall Street Reform and Customer Protection Act will add appreciably to the complexity of complying with customer protection requirements and making the necessary computations of customer and counterparty balances to be segregated. Consequently, it is essential that regulators have a thorough understanding of the accounting rules and the basis for the conclusions to enable them to analyze whether the GAAP basis is appropriate for their purposes or whether adjustments will need to be made to arrive at their requirements. We believe that significant analysis will be required.

4. In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.

Response: We believe that the retrospective adoption proposed for the Three Proposals is impractical because it will require that we generate data based on assumptions that would have been in place historically and that could be challenged with the benefit of hindsight. For instance, it is likely that the AFI project will incorporate requirements to project cash flows and future operations based on assumptions at a point in time. Netting may require a historical analysis of previous contracts for different counterparties to determine if offsetting would have occurred on a specific date. FVM may require applying different valuation techniques to a historical point in time. Therefore, we believe that for the Three Proposals, the transition method should be prospective. If the transition method ultimately selected is prospective, we will probably need less time for implementation of these standards than would otherwise be required.

5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

- a. Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).*
- b. Under a single date approach, what should the mandatory effective date be and why?*
- c. Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.*
- d. Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.*

Response: We prefer the single date approach because a staggered approach will lead to repetitive restatements of previously issued financial statements that may be confusing to the public and investors. It is essential that, during a period of rapid change, we ensure that these constituencies maintain their confidence in the reliability of financial information. One single date will also help facilitate potential synchronization of efforts between projects that might have overlapping technology requirements (or interdependencies), and will help facilitate training and education across organizations.

If final standards are issued in 2011, the effective date should be no sooner than 2016. To the extent the issuance of standards is delayed, the effective date should also be delayed. This will allow ample time for upgrading systems, training, and gathering the data necessary for the required comparative period presentation. To the extent relief is provided and the transition method for the Three Proposals is prospective (see response to question No. 4 above), we believe that it may be feasible to require an effective date sooner than 2016.

To the extent the Board decides to implement a sequential approach to adoption, we recommend adoption of the standards in the following sequence:

1. Other Comprehensive Income – This standard can be adopted first because it involves changes in presentation for which the data required for implementation is currently available.
2. Revenue Recognition – This will potentially impact some transactions but we do not expect that the impact on our industry will be significant.
3. Leases – This standard will have a sizable impact on a number of our member firms. It will impact regulatory reporting, contracts in place and will have a significant balance sheet impact. The limited retrospective transition method and the fact that it is less pervasive than the Three Proposals may make it feasible to adopt this standard sooner than the Three Proposals.
4. Three Proposals – These present a significant implementation effort as described above.

We also believe that the Financial Statement Presentation project should be deferred until the other proposals are implemented in practice. We anticipate that the changes in presentation will potentially be all encompassing and that implementing changes in presentation at the same time as changes in policy themselves will cause potentially significant user confusion. Furthermore, we believe that it is likely that the conclusions reached in the outstanding projects could influence the views of the Board with regard to presentation and that consequently, the presentation project should only be discussed after the other outstanding conclusions on the major projects are reached.

6. Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

Response: The Board should allow those companies that prefer to implement early the opportunity to do so.

7. For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?

Response: As noted above, we believe the effective date should be no sooner than 2016, assuming the standards are finalized in 2011.

8. Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

Response: We encourage the FASB and IASB to work towards convergence of standards including the provisions for the effective date and transition. This will be of particular benefit to the extent issuers in the U.S. are ultimately required by the Securities and Exchange Commission to adopt International Financial Reporting Standards.

9. How does the Foundation's ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?

We believe that private companies should be subject to the same accounting standards as public companies to ensure comparability across industries.