

October 2, 2015

Russell G. Golden
Chairman
Financial Accounting Standards Board
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Via email: director@fasb.org

File Reference: EITF-15E – *Contingent Put and Call Options in Debt Instruments*

Dear Chairman Golden:

The American Bankers Association¹ (ABA) and The Clearing House Association L.L.C.² (and together, “the Associations”) appreciate the opportunity to comment on the exposure draft *Contingent Put and Call Options in Debt Instruments* (ED). The ED intends to eliminate diversity in practice in assessing contingent put and call options that are embedded within certain debt instruments. The current diversity in practice has resulted mainly from differing interpretations of the guidance provided through Derivatives Implementation Group (DIG) Issue B16, which suggested a four-step decision sequence in analyzing such instruments.

The Associations support the proposed clarification that maintains the DIG’s four-step decision sequence and does not require the further step to determine whether the event that triggers the ability to exercise the put (or call) option is indexed only to interest rates or credit risk (and not some extraneous event or factor). We believe this is what the DIG intended within the discussion. Concerns that an option feature based on a non-credit/non-interest rate index (for example, the price of gold) may present significantly different risk from the host contract (thus, requiring bifurcation of the option) are effectively addressed through steps in the four-step decision sequence, namely the steps to determine whether the amount paid upon settlement is adjusted based on changes in the index and whether the debt

¹ The American Bankers Association is the voice of the nation’s \$15 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard \$11 trillion in deposits and extend more than \$8 trillion in loans. Learn more at aba.com.

² Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world’s largest commercial banks, which collectively hold more than half of all U.S. deposits and which employ over one million people in the United States and more than two million people worldwide. The Clearing House Association L.L.C. is a nonpartisan advocacy organization that represents the interests of its owner banks by developing and promoting policies to support a safe, sound and competitive banking system that serves customers and communities. Its affiliate, The Clearing House Payments Company L.L.C., which is regulated as a systemically important financial market utility, owns and operates payments technology infrastructure that provides safe and efficient payment, clearing and settlement services to financial institutions, and leads innovation and thought leadership activities for the next generation of payments. It clears almost \$2 trillion each day, representing nearly half of all automated clearing house, funds transfer and check-image payments made in the United States. See The Clearing House’s web page at www.theclearinghouse.org.

involves a substantial premium or discount. More importantly, however, we support the clarification in that it reduces the complexity of the process.

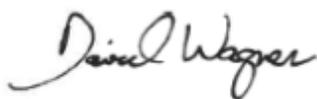
The guidance in the ED may reduce the number of instruments requiring bifurcation for accounting purposes. Because of the likelihood that prior to the effective date of the ED, certain bifurcated instruments would not have been bifurcated under the proposed guidance, we believe entities should be given an option of implementing the guidance on a prospective or a modified retrospective basis. Further, those who use the modified retrospective method of implementation should be able to start with a balance sheet that reflects how they currently manage their business. Therefore, those companies that elect to implement the standard retrospectively should be granted the opportunity to apply (or detach) the fair value option on the related instruments, as appropriate under their current accounting policy.

Thank you for your attention to these matters and for considering our views. Please feel free to contact Mike Gullette (mgullette@aba.com; 202-663-4986) or David Wagner (david.wagner@theclearinghouse.org; 212-613-9883) if you would like to discuss our views.

Sincerely,



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American Bankers Association



David Wagner
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The Clearing House Association L.L.C