March 21, 2022

Ms. Hillary Salo
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2021-007

Dear Ms. Salo,

This letter is submitted by Financial Executives International's (FEI) Committee on Corporate Reporting (CCR) in response to the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Update, *Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations* (Exposure Draft or proposed Update).

FEI is a leading international organization comprised of members who hold positions as Chief Financial Officers, Chief Accounting Officers, Controllers, Treasurers, and Tax Executives at companies in every major industry. CCR is FEI's technical committee of approximately 50 Chief Accounting Officers and Corporate Controllers from Fortune 100 and other large public companies, representing more than $13 trillion in market capitalization. CCR reviews and responds to pronouncements, proposed rules and regulations, pending legislation, and other documents issued by domestic and international regulators and organizations such as the U.S. SEC, PCAOB, FASB, and IASB.

This letter represents the views of CCR and not necessarily the views of FEI or its members individually.

Executive Summary

We commend the Board's responsiveness to stakeholder requests for greater transparency around supplier finance programs. While such programs are relatively new, still increasing in prevalence, and continuing to evolve, we appreciate the attentiveness with which the Board and staff have conducted outreach to better understand the nature of supplier finance programs currently used by some companies. In our letter, we offer broad support for the amendments in the proposed Update, which we generally believe to be both operable and cost effective. We have also provided specific recommendations on disclosure frequency and implementation for the Board's consideration.

Proposed Scope Guidance

We believe that the proposed scope guidance is understandable, generally operable, and appropriately captures the intended population of supplier finance programs. When read in conjunction with paragraph 405-50-15-2, the indicator in paragraph 405-50-15-3 is also helpful in identifying whether an entity may have a supplier finance program. In addition, given that such arrangements continue to evolve, we agree with the Board's approach of describing supplier finance arrangements more generally rather than creating a prescriptive definition and appreciate the Board conducting outreach and incorporating feedback on this matter.

Disclosure Requirements

We believe that the proposed disclosure requirements are generally operable and offer a cost-effective means of providing the information requested by users. In complying with the rollforward requirement, we expect to incur some upfront costs to build necessary reports and establish new processes and controls. Thereafter, we expect the ongoing costs of creating and validating the rollforward disclosure to be minimal. While the upfront costs associated with the rollforward disclosure will likely be greater than disclosing only the outstanding confirmed amount, we do not anticipate that the incremental cost will be significant, nor do we anticipate significant operability challenges, as, in most cases, the required data is already collected by existing systems and can be extracted once reports are created. Therefore, if financial statement users confirm that the rollforward disclosure would provide incrementally useful information beyond what is provided by the outstanding confirmed amount, we are supportive of the additional quantitative disclosure.

We appreciate the Board's sensitivity to operability concerns expressed around other potential disclosures that would have required third-party data requests and verification.[1] For example, we note that the Board considered a requirement for the buyer to disclose the amount of outstanding obligations paid by the finance provider to the supplier earlier than the invoice date. We support and agree with the Board's rationale for not including such a requirement, which would be difficult to operationalize, as this data is not readily available to companies.

Aggregated Disclosures

We support the proposed guidance allowing entities to aggregate disclosures when using more than one supplier finance program[2] and believe that the guidance is understandable as written. Such guidance is analogous to other disclosure aggregation guidance provided by the Board, such as for entities with more than one defined benefit plan.[3] Moreover, providing management with discretion to determine when characteristics are substantially different is consistent with the Board's approach to identifying key program terms and belief that management is in the best position to make those judgments.[4] As such, we believe no additional guidance is needed to distinguish characteristics that would be considered substantially different.

Frequency of Disclosure

Consistent with the interim reporting disclosure principle recently proposed by the Board,[5] we support requiring disclosure only in interim periods when an event or transaction related to the program has

[1] Paragraph BC23 of the Exposure Draft
[2] Paragraph 405-50-50-2 of the Exposure Draft
[3] Paragraphs 715-20-50-2 through 50-4
[4] Paragraph BC24 of the Exposure Draft
[5] Paragraph 270-10-50-9 of the proposed Accounting Standards Update, *Interim Reporting (Topic 270): Disclosure Framework—Changes to Interim Disclosure Requirements*, issued on November 1, 2021.

occurred that has a material effect on an entity. We do not anticipate frequent material changes in supplier finance program activity; therefore, reproducing such disclosures at each interim period may often be redundant with annual filings, obfuscate the impact of events or transactions that do have a material effect on an entity, and be contrary to the objectives of Chapter 8 of Concepts Statement 8, which establishes that interim-period financial statements are intended to convey new information about significant changes to matters from the most recent annual financial statements.[6] For these reasons, we recommend that the Board consider requiring the proposed disclosures only in interim periods when an event or transaction related to the program has occurred that has a material effect on an entity.

Implementation Considerations

We support the Board's decision to increase comparability by requiring the proposed amendments to be adopted retrospectively to all periods in which a balance sheet is presented. We believe that most companies will be able to adopt the proposed amendments retrospectively for annual reporting periods beginning after 15 December 2021 without incurring significant costs.

Conclusion

We appreciate this opportunity to provide feedback on the proposed amendments related to the disclosure of supplier finance program obligations. We thank the Board for its consideration of our comments and welcome further discussion with the Board or staff at your convenience.

Sincerely,

Rudolf Bless

Rudolf Bless
Chair, Committee on Corporate Reporting
Financial Executives International

[6] Paragraph D73 of Chapter 8 of Concepts Statement 8