



Committee on Corporate Reporting

January 31, 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. 2021-001

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, *Interim Reporting (Topic 270): Disclosure Framework—Changes to Interim Disclosure Requirements*.

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 and staff for their efforts to improve the clarity and effectiveness of interim reporting disclosure requirements. We also appreciate the work that has gone into creating a complete list of interim disclosure requirements and references. We agree such a list will be particularly useful to preparers and practitioners and provide clarity around the financial statement period for which disclosure requirements are intended. In our letter, we express support for the proposed amendments and offer several suggestions for the Board's consideration. Our comments focus on the proposed disclosure principle, the amended wording around comparative disclosures, and implementation considerations.

Disclosure Principle

We support the addition of a disclosure principle based on the portion of Regulation S-X, Rule 10-01, that was removed when the SEC issued Release No. 33-10532. As similar language was until recently part of Regulation S-X, we do not expect the addition of the disclosure principle to significantly change practice and believe it will lead to greater consistency on an ongoing basis. In the following two sections, we have provided comments for the Board's consideration on the scope and operability of the proposed disclosure principle.

Scope of Required Information

We agree that the disclosure principle should require only information specific to the event or transaction rather than all the disclosures required by the applicable Topic. Consistent with the Board's view,¹ we believe that disclosure specific to the recent event or transaction better isolates the impact of the event or transaction, reduces redundancy with annual filings, and aligns with the interim disclosure concept in paragraph D73 of Chapter 8 of Concepts Statement 8, which affirms that "interim-period financial statements are essentially an update of the information in the most recent annual statements." Furthermore, the proposed requirement to "consider the annual requirements for those types of events or transactions"² obliges completeness by the reporting entity and safeguards against the omission of any relevant disclosures.

Additionally, we recommend that the Board consider revisiting the list of required disclosures in paragraph 270-10-50-17 to assess whether the length and specificity of these requirements are in line with the objective of the proposed disclosure principle.¹ For example, the requirements in 270-10-50-17(j) and 270-10-50-17(l) related to pension and derivative disclosures, respectively, may produce information at interim periods that is redundant with annual filings. Streamlining such requirements would give greater prominence to information that is most relevant to investors' analyses of interim period financial results.

Operability of Disclosure Principle

While we believe the proposed disclosure guidance on significant events or transactions is operable, we have included two suggestions that could add clarity to the principle as currently written in the Exposure Draft:

1. Paragraph 270-10-55-1 of the Exposure Draft includes the term "significant" in the disclosure principle itself, which could be interpreted as creating a second qualifier for determining if disclosure is required (i.e., the event or transaction must be significant *and* have a material effect on the entity to warrant disclosure). In contrast, the removed portion of Rule 10-01 of Regulation S-X that the proposed disclosure principle is intended to replace used the term "significant" only to describe examples of the types of changes that could have a material impact on a registrant, as opposed to being a second qualifier. If some entities interpret the proposed guidance as requiring "significant" as a second qualifier, they may not disclose information that would otherwise be disclosed under current practice, such as a material but business-as-usual debt issuance. We do not believe the Board intended to introduce a second qualifier into the principle taken from Regulation S-X or change current practice;³ therefore, we recommend removing the term "significant" from the proposed disclosure principle to avoid any confusion and maintain consistency with the disclosure principle previously included in Regulation S-X.

¹ Basis for Conclusions (BC) paragraphs BC14 and BC17 of the Exposure Draft

² Paragraph 270-10-55-1 of the Exposure Draft

³ Paragraph BC8 of the Exposure Draft

2. Paragraph 270-10-55-1 of the Exposure Draft uses the language “had a material effect” instead of “has a material effect.” Use of the past tense “had” in this instance could imply that an event or transaction must have already had a material effect on the current period before disclosure is required, which we believe is inconsistent with current practice. In addition, the disclosure principle in paragraph 270-10-50-9 of the Exposure Draft uses “has,” consistent with the present tense “have” in the removed portion of Regulation S-X, Rule 10-01. As such, we recommend revising paragraph 270-10-55-1 to read “has a material effect” to avoid any potential misinterpretation or change in practice.

Comparative Disclosures

We believe that phrases such as “for all periods presented” or “for each period presented” are generally well understood and consistently applied in practice. However, we do not object to the proposed phrase “comparatively when comparative financial statements are presented” if the Board’s intent is not to change current practice or expand the scope of disclosures currently required. If the Board decides to retain this proposed wording change, we believe paragraphs 860-20-50-1, 50-3, and 50-4 should also be amended, as they contain the phrases “for each income statement presented” and/or “for each statement of financial position presented” but are not currently amended in the Exposure Draft.

Implementation Considerations

We support requiring the proposed amendments to be applied prospectively and agree that retrospective application would be more costly and unlikely to yield significantly different information.⁴ The proposed amendments could likely be implemented quickly by many public entities, and, as such, we recommend that the proposed amendments be effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. Because the proposed amendments on clarifying comparative disclosure are not expected to significantly change current practice, we recommend requiring the same effective date for all proposed amendments to avoid confusion and simplify the adoption process.

Conclusion

We appreciate this opportunity to provide feedback on the proposed amendments related to interim disclosure requirements. 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

⁴ Paragraphs BC32 and BC33 of the Exposure Draft