

June 30, 2025

Mr. Jackson M. Day
Technical Director
Financial Accounting Standards Board
801 Main Avenue, PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2025-ITC100

Dear Mr. Day,

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) Invitation to Comment (ITC) – Agenda Consultation.

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 \$17 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

CCR commends the FASB for its standard-setting achievements over the last several years, including the completion of major projects and post-implementation reviews (PIRs), the ongoing maintenance and modernization of the Codification, and the timely responses to emerging issues. CCR supports the FASB's mission to establish and improve financial accounting and reporting standards and appreciates the FASB initiating the Agenda Consultation process, which will help ensure that financial reporting continues to provide decision-useful information to investors. Consistent with the feedback received by the FASB during the outreach phase of the Agenda Consultation process, CCR generally agrees there is not a case to make major changes to GAAP at this time – except for potential modifications to the hedge accounting model, as discussed below.

In addition, CCR believes it is important to highlight several specific topics outlined in the ITC that we believe the FASB should not pursue.

- First, CCR believes the FASB should refrain from prioritizing projects that add new or expand existing disclosure or presentation requirements (such as those related to financial KPIs or the statement of cash flows) until it completes a robust cost-benefit analysis as part of its PIR on recent disclosure standards.¹ Specifically, recent disclosure standards, such as Disaggregation – Income Statement Expenses (DISE), Segment Reporting, and Improvements to Income Tax

¹ Refer to [CCR's comment letter](#) in response to the FASB's ITC on Financial KPIs for Business Entities for details on CCR's views on a potential Financial KPIs project.

Disclosures, should be considered in this analysis. We recommend the FASB conduct outreach to understand how the additional information required under these standards is being used by investors and other stakeholders to make investment decisions. This feedback should be accumulated and analyzed by the FASB prior to its consideration of any future disclosure projects. We believe this will help ensure financial reporting remains relevant and decision-useful to investors.

- Second, CCR companies do not support initiating a project to more broadly require the measurement of assets and liabilities at fair value. While we recognize the mismatch between a company's balance sheet and its market capitalization under current recognition and measurement guidance, we have observed that most investors primarily rely on the income statement and cash flow statement to determine enterprise value. Similarly, CCR believes the FASB should avoid projects that would introduce volatility in the financial statements without adding meaningful value to investors. For example, CCR does not support prioritizing efforts to require fair value remeasurement of equity-classified share-based payment awards or the immediate recognition of gains and losses related to changes in defined benefit plan values in earnings. We believe most investors would disregard or "back out" these gains or losses in their analyses. As such, CCR does not believe these potential projects would meet the "case-for-change" criterion.

We appreciate the FASB summarizing the results of its extensive outreach in the ITC and including a comprehensive list of topics for stakeholder consideration. However, instead of focusing on narrow-scope improvements to various topics outlined in the ITC, CCR believes the FASB should leverage its resources to focus on:

1. Maintaining GAAP and monitoring for emerging transactions without clear guidance
2. Modernizing the hedge accounting model
3. Aligning accounting outcomes with strategic objectives
4. Expanding the FASB's role on industry-specific issues
5. Refining the standard-setting process

Maintaining GAAP and Monitoring for Emerging Transactions Without Clear Guidance

CCR believes it is important for the FASB to continue to monitor for emerging transactions without clear guidance in current GAAP. Although we did not identify any such transactions at this time, we expect transactions to develop in the future that may need to be addressed – similar to cryptocurrency or environmental credits. We appreciate the Board's timely response to stakeholders' identification of these transactions.

Modernizing the Hedge Accounting Model

While CCR appreciates the FASB's recent efforts to simplify and better align hedge accounting with companies' risk management strategies through targeted improvements, we agree with the stakeholder feedback summarized in the ITC that the model remains overly complex and may no longer be fit for its intended purpose. Consistent with the discussion in the ITC, we believe the existing hedging guidance may not provide decision-useful information to investors because many risk management activities do not qualify for hedge accounting. This is mainly because the hedge accounting guidance was not designed to broadly accommodate risk management strategies developed and executed on an entity-wide basis.

CCR believes several core aspects of the hedge accounting model limit its usefulness – particularly: (1) the inflexible requirements to apply hedge accounting to an individual transaction or portfolios; (2) the inability to hedge held-to-maturity securities; and (3) the strict requirements around contemporaneous documentation. Additionally, the distinctions between the different types of hedges (e.g., fair value hedges and cash flow hedges) are not well understood by all stakeholders.

Given these concerns, CCR believes the FASB should prioritize a project to holistically revisit and modernize the hedge accounting model. We acknowledge a holistic update to the hedge accounting model will likely require substantial research, stakeholder outreach, and time to develop requirements that are operable and meaningful for all stakeholders. In the interim, CCR recommends the FASB consider several targeted improvements to enhance operability and better align hedge accounting with the economics of companies' risk management strategies:

1. Expand the use of the portfolio layer method to liabilities
2. Increase flexibility for hedging on a portfolio basis²
3. Permit hedge accounting for interest rate risk associated with held-to-maturity debt securities

CCR believes these three targeted improvements could serve as a practical first step toward more useful and operable hedge accounting guidance while a broader reconsideration of the model is underway.

Aligning Accounting Outcomes with Strategic Objectives

While CCR generally believes that the current recognition and measurement guidance on most topics is appropriate, there are certain topics where CCR companies see opportunities for improvements to GAAP despite a lack of alignment on an optimal solution. In these situations, we believe the Board should consider allowing additional optionality based on the differing *strategic objectives* underlying certain transactions.

For example, CCR companies with equity method investments that are core to their business models *strongly* support retaining the equity method of accounting under Topic 323 with no changes. However, other CCR companies would support the FASB prioritizing a project on the equity method of accounting, preferring the Board allow companies to treat equity method investments similar to all other investments under Topic 321. These differing views primarily stem from the strategic objectives underlying the investments. For example, for certain companies, equity method investments are core to their business strategy, and they frequently enter into equity method investments to leverage the relationship with the investee to advance specific business priorities (e.g., leveraging shared capabilities, expanding into new markets, etc.). These companies believe the equity method of accounting in Topic 323 best reflects the underlying economics and strategic intent of these investments. In contrast, other companies may hold equity method investments, but do not typically enter into equity method investments as part of their core business strategy. These companies believe the appropriate treatment for such investments should be consistent with other investments under Topic 321.

Given these different perspectives, CCR would not be supportive of a project that changes or eliminates companies' ability to apply the equity method of accounting in accordance with Topic 323. However, CCR would generally be supportive of retaining the equity method of accounting in Topic 323, while also permitting companies to apply the measurement alternative in Topic 321 for equity method

² Refer to CCR's [comment letter](#) in response to the FASB's proposed Update on Hedge Accounting for details on CCR's recommendations on expanding the flexibility for hedging on a portfolio basis.

investments (which would allow the investment to be measured at cost and remeasured to fair value when impaired or when the investor identifies an observable price change in an orderly transaction for an identical or similar transaction). If the Board were to take this kind of flexible approach, CCR believes companies should be allowed to elect either the application of Topic 323 or the measurement alternative in Topic 321 on an investment-by-investment basis upon purchase or acquisition of the investment. Consistent with other GAAP allowing optionality, we believe companies should be required to disclose the chosen method and provide a rationale for their decision to support comparability for investors.

Expanding the FASB's Role on Industry-Specific Issues

CCR supports the FASB's principles-based approach to standard setting. However, we acknowledge that applying such principles-based guidance can be challenging for certain transactions within specific industries. We appreciate the FASB's recent efforts to address this concern by including examples in proposals – such as Example 2 in the FASB's proposed Update on Environmental Credits, which clarifies the recognition and measurement of environmental credit obligation liabilities for automotive manufacturers with multi-year compliance programs.³

As businesses evolve and transactions grow increasingly more complex, CCR believes the FASB – working in conjunction with the Emerging Issues Task Force (EITF) – should assume a broader role in helping companies apply existing guidance to account for unique transactions within their industry. Specifically, we believe there is an opportunity for the FASB to expand its role by creating additional illustrative examples to demonstrate how to apply the *existing* principles-based guidance – particularly Topic 606, *Revenue from Contracts with Customers* – to fact patterns in specific industries. For example, CCR has observed that industry-specific examples would be particularly helpful in areas such as: (1) principal versus agent considerations for payment processors, telecommunications providers, and financial institutions; and (2) emerging complex consumer membership arrangements in retail and other industries.

Refining the Standard-Setting Process

CCR appreciates the FASB's commitment to understanding the potential impact of new standards on all stakeholders and acknowledges the Staff's ongoing efforts to engage with a diverse array of stakeholder groups – including preparers – throughout the standard-setting process. We believe the FASB employs a robust and high-quality approach to standard setting, and we offer three suggestions that we believe would further strengthen the process. These suggestions are intended to support the FASB Staff and Board in maintaining meaningful stakeholder engagement and obtaining high-quality and actionable feedback.

Considerations for Disclosures

First, CCR believes the FASB should more explicitly incorporate materiality considerations when developing new standards. Specifically, if the FASB continues to follow a principles-based (as opposed to industry-specific) approach to standard-setting, we encourage the FASB to consider whether new disclosure requirements are likely to be material to companies across a broad range of industries. For example, enhanced disclosures about the accounting for software costs may be material to companies in the business of providing software or related services to their customers – but are likely not

³ Refer to CCR's [comment letter](#) in response to the FASB's proposed Update on Environmental Credits for CCR's feedback on the proposed accounting illustrated in Example 2.

qualitatively material to companies in other industries, such as brick-and-mortar retailers. We commend the Board for highlighting this point during its redeliberation of the proposed Update on internal-use software costs and its subsequent decision not to affirm the proposed incremental cash flow disclosures.⁴ Similarly, the expected credit loss disclosures may be material to those in the financial services industry, but less so to those in other industries.

CCR also believes the FASB should consider the broader regulatory framework when developing new disclosure requirements. Specifically, current PCAOB standards require auditors to communicate any omitted disclosures or disclosure errors (other than those that are *clearly trivial*) to the audit committee.⁵ As a result, management, auditors, and audit committee members may spend a disproportionate amount of time and effort on disclosures that are not material or decision-useful, often simply to streamline audit committee discussions. To further the FASB's mission of providing decision-useful information to investors, we encourage the Board to consider the current regulatory environment and work closely with the PCAOB and SEC when determining the necessity and relevance of new disclosures.

Cost-Benefit Analysis

Second, we believe there is an opportunity to enhance the FASB's analysis used to determine whether the benefits of new standards or disclosure requirements exceed the costs to implement. Specifically, based on the FASB's work to date, CCR believes there is a comprehensive recognition, measurement, and disclosure model in the Codification today. As a result, CCR believes there may be a "higher bar" when considering whether there are sufficient benefits to changing existing guidance or adding new disclosure requirements than in the past. While CCR acknowledges it may be impractical to develop robust quantitative estimates of benefits, we believe the FASB could still improve the cost-benefit analysis by developing a *public* document that defines a consistent cost-benefit framework the FASB follows for each standard-setting project. This document could be incorporated within proposed or final standards or included as a separate document on each project page.

For example, we believe the document could discuss how the FASB evaluated items such as: (1) the impact on different types of entities (e.g., based on size, sophistication, industry, etc.); (2) whether information requested by users could be provided outside of the financial statements; (3) the type of user requesting standard-setting, including whether those users ultimately bear the costs of implementing a new standard or providing additional information in disclosures, and (4) whether existing software systems can be leveraged to comply with proposed requirements. We believe the development of a publicly-available cost-benefit framework would enhance transparency in the standard-setting process and ensure the Board only finalizes new standards where the benefits significantly exceed the costs.

⁴ [Tentative Decisions](#) from the May 7, 2025 FASB Board Meeting

⁵ Per paragraph .10 of PCAOB [AS 2810](#), "*Clearly trivial* is not another expression for *not material*. Matters that are clearly trivial will be of a smaller order of magnitude than the materiality level established in accordance with AS 2105...and will be inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature, or circumstances. When there is any uncertainty about whether one or more items is clearly trivial, the matter is not considered trivial."

Cross-Stakeholder Engagement

Third, CCR believes the standard-setting process could be enhanced by facilitating more cross-stakeholder engagement. In particular, CCR has found the FASB-coordinated cross-stakeholder roundtables – such as those held for the DISE project – to be especially productive and insightful. These forums allow diverse stakeholder groups to *directly* exchange perspectives, raise concerns and collaborate in real-time to explore potential solutions.

To strengthen the value of these engagements, CCR offers several suggestions for the FASB to consider when planning and conducting cross-stakeholder discussions. First, CCR recommends the FASB host such cross-stakeholder roundtables *earlier* in the standard-setting process. For example, a cross-stakeholder roundtable following the FASB's summary of feedback on the Agenda Consultation ITC could provide stakeholders with an opportunity to understand differing perspectives and concerns before a project is formally added to the FASB's technical agenda. This type of proactive collaboration may also help stakeholders identify and develop alternative solutions that do not require standard setting – conserving the FASB's time and resources to prioritize other initiatives. In addition, we encourage the FASB to ensure roundtables include representatives from *all* relevant stakeholder groups. For example, we believe feedback from both intermediaries (such as debt and equity analysts) *and* end providers of capital resources (such as lenders and individual, private equity, and institutional investors) would often be relevant in roundtable discussions. In addition, we believe roundtables should include Enterprise Resource Planning (ERP) system providers, where appropriate. Given the complexity and customization of ERP systems at the entity level, early input from these providers could help assess the operational feasibility of potential projects.

Conclusion

We appreciate the FASB's effort to obtain input from stakeholders as it considers its future agenda. We thank the Board for its consideration of our views and welcome further discussion with the Board or staff at your convenience.

Sincerely,

Alice L. Jolla

Alice L. Jolla
Chair, Committee on Corporate Reporting
Financial Executives International