

May 16, 2012

Accounting Standards Board
5th Floor, Aldwych house
71-91 Aldwych
London
WC2B 4HN

By email to: asbcommentletters@frc-asb.org.uk

For the attention of: Michelle Sansom

Re: Financial Reporting Exposure Draft – The Future of Financial Reporting in the UK and Ireland

Dear Sirs

Bank of America Corporation (BAC) appreciates the opportunity to comment on the Accounting Standards Board's (the ASB) January 2012 Financial Reporting Exposure Drafts on The Future of Financial Reporting in the UK and Republic of Ireland (the FREDs).

BAC is one of the world's largest financial institutions, providing a diverse range of financial services and products on a global basis. Our operations include significant businesses in the UK and the Republic of Ireland, operated through many subsidiaries that are required to prepare financial statements under UK and Irish generally accepted accounting principles (GAAP) respectively. We are therefore particularly interested in this important initiative.

Our main concerns with the ASB's current proposals relate to the scope of the financial instrument disclosure exemption and the timing of implementation.

In respect of the disclosure exemptions, we believe that these should be available on an equivalent basis to all wholly owned subsidiaries regardless of the nature of their activities provided that the disclosures concerned are presented on a consolidated basis in the group financial statements that include the entity applying the exemption.

This would be consistent with the focus of users on consolidated financial statements, as acknowledged by the ASB in the FREDs. Furthermore, as similar exemptions are currently available in UK and Irish GAAP, the proposal to exclude financial institutions from the disclosure exemptions for financial instruments appears to introduce an element of 'gold plating' in contravention to one of the ASB's stated principles for developing the reduced disclosure framework. It also conflicts with one of the ASB's primary drivers for this initiative, being that the full disclosure requirements give rise to reporting costs that are disproportionate to the benefits provided to users of financial statements; in our view, this principle should apply equally to financial institutions as to any other entity.

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With regard to timing, as stated in our letter to the ASB on its previous proposals, we believe that the transition to the proposed new reporting requirements should be co-ordinated with the implementation plans for the various other international initiatives that are currently in progress and with which the ASB's proposals are inherently linked, such as the IASB's current projects on financial instruments (including impairment), leases and revenue recognition, and the SEC's plans for conversion of US firms to IFRS. Implementing new reporting requirements for UK and Irish subsidiaries before these major international initiatives are implemented could result in significant additional costs for firms with substantial international operations, particularly if required to convert those subsidiaries to existing IFRS based requirements and to then move to the amended IFRS based requirements a short time later.

Our responses to certain questions in the FREDs are set out below.

Question 2 – The ASB has decided to seek views on whether:

As proposed in FRED 47:

A qualifying entity that is a financial institution should not be exempt from any of the disclosure requirements in either IFRS 7 or IFRS 13; or

Alternatively:

A qualifying entity that is a financial institution should be exempt in its individual accounts from all of IFRS 7 except for paragraphs 6, 7, 9(b), 16, 27A, 31, 33, 36, 37, 38, 39, 40 and 41 and from paragraphs 92-99 of IFRS 13 (all disclosure requirements except the disclosure objectives).

Which alternative do you prefer and why?

As noted above, we believe that the reduced disclosure framework for qualifying entities should be available on an equivalent basis for all wholly owned subsidiaries and, in particular, that a qualifying entity that is a financial institution should be exempt from the disclosure requirements in IFRS 7 *Financial Instruments: Disclosures* (IFRS 7) and IFRS 13 *Fair Value Measurement* (IFRS 13) provided that those disclosures are presented in the consolidated group financial statements of the qualifying entity's parent company.

This would be consistent with the existing disclosure requirements for financial instruments in FRS 29 *Financial Instruments: Disclosures* (FRS 29) and the focus of users on consolidated financial statements rather than the individual financial statements of the parent company or subsidiaries, which is acknowledged by the ASB in their proposals. It would also meet the ASB's stated principles and objectives for the reduced disclosure framework of balancing reporting costs with the benefits to users of financial statements and avoiding 'gold plating', both of which should, in our view, apply equally to qualifying entities that are financial institutions as they do to other entities.

Notwithstanding the above, if the ASB does proceed on the basis proposed, we would prefer the alternative approach whereby the financial instrument disclosures that financial institutions are required to provide is limited to those required by FRED 48. In our view, this will limit the scope of these disclosure requirements to some extent and will ensure that all financial institutions that are required to provide these disclosures outside of their consolidated group accounts present information on a consistent basis.

Question 4 – Do you agree with the definition of a financial institution? If not, please provide your reasons and suggest how the definition might be improved.

We understand through the Association for Financial Markets in Europe (AFME), an industry group of which we are a member, that following their discussions with the ASB's staff, the ASB is likely to amend the definition of a financial institution to include broker-dealers. Given the nature of the activities of a broker-dealer, we agree that such entities should be included in the definition of a financial institution. Thus, subject to that amendment, we agree with the ASB's definition of a financial institution.

Question 7 – Do you consider that the related party disclosure requirements in section 33 of FRED 48 are sufficient to meet the needs of preparers and users?

We believe that the related party disclosure requirements in section 33 of FRED 48 are sufficient to meet the needs of preparers and users. In particular, we are pleased to note that following its previous consultation, the ASB has retained the current exemption for related party disclosures, such that it is not necessary for reporting entities to disclose information on transactions between wholly owned members of a group.

Question 8 – Do you agree with the effective date? If not, what alternative date would you prefer and why?

We do not support the ASB's proposed effective date of accounting periods beginning on or after 1 January 2015.

As noted in our comment letter on the ASB's previous exposure draft on the future of financial reporting in the UK and Ireland, we believe that the transition to the ASB's proposed new reporting requirements should be co-ordinated with the implementation plans for the various other international initiatives that are currently in progress and with which the ASB's proposals are inherently linked. These include the IASB's current projects on financial instruments (including impairment), leases and revenue recognition as well as the SEC's plans for conversion of US firms to IFRS.

In our view, a requirement to implement new reporting requirements for UK and Irish subsidiaries before these major international initiatives are implemented could result

in significant additional costs for firms with substantial international operations, particularly if required to convert those subsidiaries to existing IFRS based requirements and to then move to amended IFRS based requirements a short time later.


We therefore believe that the ASB should further consider the proposed mandatory effective date for its new standards once further clarity has been obtained on the implementation dates for the major international initiatives that will significantly impact on entities that are also required to adopt the ASB's proposals.

Notwithstanding the above, we support the ASB's proposals to allow firms to adopt the ASB's new reporting requirements early so that, for example, firms that early adopt IASB initiatives can co-ordinate the adoption of those requirements with the transition to the new IFRS based reporting requirements for their UK (and Irish) subsidiaries.

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Bank of America appreciates the opportunity to express our views in this letter. Should you have any questions, please feel free to contact me at 0207 996 0686 or Andrew Wallace at 0207 996 2111.

Yours faithfully



Keith Pearson
Managing Director
EMEA Controller

cc. Randall J. Shearer
Lizbeth Applebaum