October 10, 2018

Mr. David Bean  
Director of Research and Technical Activities  
Governmental Accounting Standards Board  
Project No. 26-6  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116  

Dear Mr. Bean:  

On behalf of the Office of the New York State Comptroller, we are pleased to respond to the Governmental Accounting Standards Board (Board) Exposure Draft (ED), on “Conduit Debt Obligations”.

We generally agree with the intentions of this ED and believe it will improve consistency in financial reporting. Particularly, we agree that the criteria in paragraph 5 clarifies the characteristics a debt instrument must have to be considered a conduit debt obligation. We also believe that removing the option an issuer has to report conduit debt obligations as their liabilities and keeping a single method of reporting will greatly improve consistency in reporting.

The distinction and identification of additional commitments extended by the issuer to support debt service payments is appropriate and done in sufficient detail. The recognition and measurement requirements for these additional commitments are consistent with those set forth in Statement 70 for non-exchange financial guarantees. Nevertheless, we would like to see additional guidance and clarification related to the recognition of capital assets set forth under the section on Arrangements Associated with Conduit Debt Obligations. It is not clear who reports the capital asset during the arrangement when the issuer relinquishes title at the end of the arrangement or when the issuer does not relinquish title and the third-party obligor has exclusive use of the entire capital asset. It is also unclear as to what the entry should be for the issuer at the end of the arrangement when they have not relinquished title and the third-party obligor had exclusive use of the entire capital asset. In contrast, the entry is clearly defined for an arrangement where the issuer does not relinquish title and the third-party obligor does not have exclusive use of the entire capital asset.
We appreciate the illustrations included in the ED which effectively illustrate the application of the definition of conduit debt and the required disclosures but would like to see additional illustrations for arrangements associated with conduit debt obligations and the reporting of capital assets.

Thank you for providing the opportunity to comment on this ED. If you have any questions or require further details concerning my comments, please feel free to contact me at (518) 486-1234.

Sincerely,

Deborah J. Hilson
Director
Bureau of Financial Reporting and Oil Spill Remediation