



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

OFFICE OF THE  
INVESTOR ADVOCATE

March 21, 2022

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

RE: FASB Supplier Finance Proposal, File Reference No. 2021-007 (“FASB RFC”)<sup>1</sup>

Dear Technical Director:

As the Investor Advocate<sup>2</sup> at the U.S. Securities and Exchange Commission, I appreciate this opportunity to voice my support for the proposal of the Financial Accounting Standards Board (“FASB”) to require disclosure of supplier finance programs.<sup>3</sup> In our semiannual reports to Congress over the past few years, the Office of the Investor Advocate has called for disclosure over supplier finance as these programs have grown in number and in usage across industries.<sup>4</sup> The proposal, if adopted, would require disclosure of supplier finance and in my view is a welcome step toward providing investors with the necessary information to formulate their investment decisions.

The FASB RFC identifies aspects of supplier finance programs for which new disclosures would be required. Those aspects include key terms, outstanding aggregated amounts, and changes to outstanding aggregated amounts over time. While we support these measures, we believe additional

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<sup>1</sup> See File Reference No. 2021-007, <https://www.fafsurveys.org/se/4CA36E92487346D6>.

<sup>2</sup> This letter expresses solely the views of the Investor Advocate. It does not necessarily reflect the views of the Securities and Exchange Commission (“Commission” or “SEC”), the Commissioners, or staff of the Commission, and the Commission disclaims responsibility for this letter and all analyses, findings, and conclusions contained herein.

<sup>3</sup> Pursuant to Section 4(g)(4) of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78d(g)(4), the Office of the Investor Advocate at the Securities and Exchange Commission is responsible for, among other things, analyzing the potential impact on investors of proposed regulation of the Commission and rules of self-regulatory organizations.

<sup>4</sup> See SEC, Office of the Investor Advocate, *Report on Activities, Fiscal Year 2019*, <https://www.sec.gov/advocate/reportspubs/annual-reports/sec-investor-advocate-report-on-activities-2019.pdf>; SEC, Office of the Investor Advocate, *Report on Activities, Fiscal Year 2020*, <https://www.sec.gov/advocate/reportspubs/annual-reports/sec-investor-advocate-report-on-activities-2020.pdf>; SEC, Office of the Investor Advocate, *Report on Activities, Fiscal Year 2021*, [https://www.sec.gov/files/FY21\\_OIAD\\_SAR\\_ACTIVITIES\\_REPORT\\_FINAL\\_508.pdf](https://www.sec.gov/files/FY21_OIAD_SAR_ACTIVITIES_REPORT_FINAL_508.pdf).

disclosure is necessary to give investors a meaningful picture of the impact that supplier finance programs have on financial statements. Those additional disclosures and features include:

- (1) A fulsome definition of “key terms” such as the identity of the financial providers, dates of agreements by provider, the amount outstanding by provider, the maximum amount to be provided at one time by provider, the original term of the invoice with the supplier by provider, incentives for suppliers, and the revised term of the invoice with the finance provider. Allowing companies the discretion to determine “key terms” would result in too much variation for purposes of comparability. Instead, we prefer to see more structure around what key terms, at a minimum, must be included.
- (2) Disaggregation of certain amounts by provider including the amount outstanding by provider and the maximum amount that can be provided by provider. Disclosure of amounts by providers allows investors to assess the exposure a company may have to a specific provider.
- (3) Interim reporting of the requisite disclosures. We suggest reporting on supplier finance programs be done more often than annually to allow for more timely trend analysis. Simply reporting upon a material event or significant effect is likely to inhibit comparability and the identification of important trends.
- (4) Retrospective application wherein the requisite disclosures are provided for whatever balance sheets are presented. Because supplier finance programs have grown to well over \$1 trillion annually,<sup>5</sup> their evolution is an important consideration for investors. Disclosure based upon historical balance sheets also allows for robust trend analysis.
- (5) An implementation period of no more than a year from the date of effectiveness. We expect that companies currently monitor supplier finance programs using much of the data called for under the FASB RFC. Moreover, we expect companies to already have effective internal controls over these programs and to be testing those controls on a regular basis. As such, we do not believe a lengthy implementation period is necessary.
- (6) The addition of tables of aging payables. After reviewing the comments submitted in response to the FASB RFC to date, we took special notice of a comment letter submitted by the students of Kennesaw State University, Master of Accounting degree program on February 23, 2022 ([https://www.fasb.org/cs/BlobServer?blobkey=id&blobnocache=true&blobwhere=1175836407687&blobheader=application%2Fpdf&blobheadername2=Content-Length&blobheadername1=Content-Disposition&blobheadervalue2=1244175&blobheadervalue1=file%20name%203DSPLYCHN.ED.002.KENNESAW STATE UNIVERSITY MASTER OF ACCOUNTING CLASS SEE LISTED.pdf&blobcol=urldata&blobtable=MungoBlobs](https://www.fasb.org/cs/BlobServer?blobkey=id&blobnocache=true&blobwhere=1175836407687&blobheader=application%2Fpdf&blobheadername2=Content-Length&blobheadername1=Content-Disposition&blobheadervalue2=1244175&blobheadervalue1=file%20name%203DSPLYCHN.ED.002.KENNESAW%20STATE%20UNIVERSITY%20MASTER%20OF%20ACCOUNTING%20CLASS%20SEE%20LISTED.pdf&blobcol=urldata&blobtable=MungoBlobs)). Specifically, we support the suggestion in the Kennesaw comment letter that a table of aging payables separated by

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<sup>5</sup> World Supply Chain Finance Report 2021, <https://bcrrpub.com/world-supply-chain-finance-report-2021> at v.


supplier finance payables and other payables would be effective in highlighting for investors the changes in the scale and use of supplier finance in an easily understandable format.

- (7) Further consideration of the accounting treatment of supplier finance programs. We encourage FASB to use the disclosure under the FASB RFC to study more closely how these programs are recorded and presented on the financial statements.

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The disclosure of supplier finance programs will shed much needed light upon their impact to the financial statements of companies and as such is a vast improvement over the current situation. We commend the FASB for moving forward with this proposal. Thank you for the opportunity to submit comments regarding this important step. Should you have any questions, please do not hesitate to contact me or Tonia Tornatore, Senior Counsel at (202) 551-3302.

Sincerely,



Rick A. Fleming  
Investor Advocate