



October 4, 2011

Ms. Susan M. Cospers  
Director of Technical Application and Implementation Activities  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

**Re: File Reference Number EITF-100E, Proposed Accounting Standards Update, Property, Plan, and Equipment (Topic 360), Derecognition of in Substance Real Estate – a Scope Clarification**

Dear Ms. Cospers,

Citigroup appreciates the opportunity to comment to the Financial Accounting Standards Board (“FASB”) on the proposed guidance for in substance real estate transactions (the “Exposure Draft”).

Citigroup supports the efforts of the Emerging Issues Task Force (the “EITF” or the “Task Force”) to reach consensus to clarify conflicts between a derecognition and deconsolidation model that has caused a diversity in views for transactions that may be in substance real estate transfers.

We support the guidance in the Exposure Draft that details how a reporting entity would apply the derecognition guidance in ASC 360-20-40-5 to a conveyance of assets that are in substance real estate.

However, we request further clarity on the scope of the Exposure Draft. At the June 23, 2011 EITF meeting, the Task Force noted they would address the accounting by the borrower and, if necessary, subsequently address the accounting by the lender as a separate issue. We recommend that the EITF highlight which user (borrower vs. lender) should place reliance on the proposed guidance.

We believe it is important to continue addressing this issue (whether together as one proposed accounting standards update or incrementally) from both the borrower’s and lender’s perspectives. ASC 810-10-25-38A notes that only one reporting entity is expected to be identified as the primary beneficiary of a variable interest entity. If the EITF reaches final consensus that the parent company (i.e., borrower) should not, until certain conditions are met, derecognize the real estate and deconsolidate the single-purpose entity, the EITF should also reach a symmetrical accounting conclusion from the lender’s point of view.

Citigroup believes that if the borrower is precluded from derecognition/deconsolidation as proposed in ASC 810-10-40-3B, then the lender should be precluded from recognition/consolidation as well. The proposed guidance in ASC 360-20-55-77 should be supplemented by noting that the lender should continue accounting for its financial interest as a loan when the reporting entity in the example continues to recognize the real estate and related debt. We believe it would be inappropriate for both the lender and borrower to recognize the same real estate asset.

Alternatively, if limited scenarios do exist whereby the lender becomes the primary beneficiary and consolidates the single-purpose entity while the borrower continues to recognize the real estate, the lender should not be within scope of ASC 360-20 when, in the future, it is no longer the primary beneficiary. In our view, application of a derecognition model to real estate assets that continue to be reported on a separate issuer's (i.e., the borrower's) financial statements would be inappropriate.

Our further comments are outlined in greater detail through responses to the specific questions raised in the Exposure Draft, included in the following Attachment.

We would be pleased to discuss our comments with you at your convenience. Please feel free to call me in New York at (212) 559-7721.

Sincerely,



Robert Traficanti  
Deputy Controller and Global Head of Accounting Policy

## Attachment

### Question 1

Do you agree that the scope of this proposed Update should be limited to a reporting entity's loss of control (as described in Subtopic 810-10) of a subsidiary that is in substance real estate when that loss of control is a result of the subsidiary defaulting on its nonrecourse debt? If not, what other situations have arisen in practice that the Task Force should consider?

Citigroup agrees with the scope of this proposed Update being limited to a reporting entity's loss of control (as described in Subtopic 810-10) of a subsidiary that is in substance real estate when that loss of control is a result of the subsidiary's defaulting on its nonrecourse debt.

Default on nonrecourse debt is defined specifically by each loan agreement and often identified in an *Event of Default* section of the loan agreement. Citi recommends that the guidance should refer to the parent company's losing control because an event of default, as defined by the loan agreement, has occurred.

We also believe that the scope of this proposed Update should explicitly reference that the guidance is intended for borrowers of the consolidated single-purpose entity and not the lenders. It is our understanding that the EITF will separately address lender accounting; however, there is no further clarification regarding to which user this proposed Update will apply.

### Question 2

Do you agree that a reporting entity that ceases to have a controlling financial interest (as described in Subtopic 810-10) in a subsidiary that is in substance real estate because of a default by the subsidiary on its nonrecourse debt should apply the guidance in Subtopic 360-20 to determine whether it should derecognize the assets (including real estate) and liabilities (including the related nonrecourse debt) of the subsidiary?

Citigroup agrees that the guidance in Subtopic 360-20 should be applied to determine whether the borrower of a consolidated single-purpose entity should derecognize the assets (including real estate) and liabilities (including the related nonrecourse debt) when the borrower ceases to have a controlling financial interest (as described in Subtopic 810-10) in a subsidiary that is in substance real estate.

### Question 3

Should additional guidance on applying the guidance in Subtopic 360-20 to transactions within the scope of this proposed Update be provided? If yes, under what circumstances?

Citigroup believes it is important to continue addressing this issue (whether together as one proposed accounting standards update or incrementally) from both the borrower's and lender's perspectives. ASC 810-10-25-38A notes that only one reporting entity is expected to be

identified as the primary beneficiary of a variable interest entity. If the EITF reaches final consensus that the parent company (i.e., borrower) should not, until certain conditions are met, derecognize the real estate and deconsolidate the single-purpose entity, the EITF should also reach a symmetrical accounting conclusion from the lender's point of view.

Citigroup believes that if the borrower is precluded from derecognition/deconsolidation as proposed in ASC 810-10-40-3B, then the lender should be precluded from recognition/consolidation as well. The proposed guidance in ASC 360-20-55-77 should be supplemented by noting that the lender should continue accounting for its financial interest as a loan when the reporting entity in the example continues to recognize the real estate and related debt. We believe it would be inappropriate to have both the lender and borrower recognize the same real estate asset.

Alternatively, if limited scenarios do exist whereby the lender becomes the primary beneficiary and consolidates the single-purpose entity while the borrower continues to recognize the real estate, the lender should not be within scope of ASC 360-20 when, in the future, it no longer is the primary beneficiary. In our view, application of a derecognition model to real estate assets that continue to be reported on a separate issuer's (the borrower's) financial statements would be inappropriate.

Question 4

Do you agree that the amendments in this proposed Update should be applied prospectively? If not, why not?

Citigroup does not object to applying the proposed Update prospectively.

Question 5

Should an entity be permitted to early adopt the amendments in this proposed Update?

We do not object to early adoption of this proposed Update.

Question 6

How much time would be necessary for you to efficiently implement the provisions of this proposed Update?

We do not believe the implementation of this proposed Update will be time intensive.