



July 14, 2014

Technical Director
Financial Accounting Standards Board
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Norwalk, CT 06856-5116

File Reference: No. 2014-200

Dear Board Members and FASB Staff:

Ally Financial Services (“Ally”) is pleased to comment on the Financial Accounting Standards Board’s (“FASB”) Exposure Draft, *Conceptual Framework for Financial Reporting – Chapter 8: Notes to Financial Statements*.

Ally is a publically held, independent, diversified financial services company. We are a leading automotive financial services provider and we operate as a financial holding company and a bank holding company. Our automotive services business offers a full suite of financing products and services to automotive dealers and their customers, including new and used vehicle inventory and consumer financing, leasing, inventory insurance, commercial loans and vehicle remarketing services. Ally Bank, the company's direct banking subsidiary and member FDIC, offers an array of deposit products, including certificates of deposit, savings accounts, money market accounts, IRA deposit products and interest checking. Ally’s Corporate Finance unit provides financing to middle-market companies across a broad range of industries. Ally reported approximately \$148 billion in assets as of March 31, 2014.

If the Board proceeds with the Proposed Update, as written, we would like to provide the following observations, concerns and insights through the General Comments that follow and in response to certain of the Board’s Questions for Respondents in Appendix A to this letter. Please note, that our general observations are meant to represent areas where we have the broadest concerns.

General Comments

In general, we support the Board’s effort and the overall objective of making “*financial statement disclosures more effective and coordinated and less redundant.*” Further, we note that in recent history, the amount, redundancy and complexity of required disclosures has grown and made the financial statement reporting process much more challenging.

Future-Oriented Information

As you acknowledge in paragraph D23 within the exposure draft, “*there sometimes are potentially significant negative consequences to issuer of financial statements (and ultimately*



to their investors and creditors) of providing some future-oriented information.” This fact, along with the inherent difficulty in auditing such information, is our biggest concern with certain future information being required in the notes to the financial statements. We ask the Board to be particularly mindful in this area as you develop the principles within the concept statements and when considering including such information in disclosures for future Board Projects. Further, you broadly discuss the SEC’s “safe harbor” as it relates to certain information that is forward looking and not required in the audited portion of the financial statements (i.e. it is typically included within MD&A and not on the face of the statements or the footnotes to the statements). Ally believes it is imperative that Board work closely with the SEC and other prudent regulators, as appropriate, to ensure consistency in the types and location of information that is required to be disclosed.

The exposure draft includes three broad areas of consideration for the inclusion of future-oriented information for which the Board has indicated such negative consequences might not be expected. Those areas are: estimates and assumptions used as inputs to measurements, management plans and strategies, and the effect of specified changes in existing conditions. In the following paragraphs, we will discuss each of these items individually.

Estimates and Assumptions used as Inputs

The exposure draft very clearly indicates that most of the items that would fall under this category would be related to inputs to fair value measurements. It is further indicated that such information is typically formed from a market perspective and is “*based on existing conditions currently available.*” We agree with the Board’s inclusion of such information with regard to fair value measurements and understand the inclusion of items related to inputs to fair value measurements both currently and in the future for such measurements.

In addition, the exposure draft goes on to discuss certain entity-specific measurements that could also be considered for inclusion in footnote disclosures, such as, salvage values and useful lives. These types of items, while to some small degree do provide future consideration (e.g. an estimate of remaining value), they are also strongly based upon and correlated to realization and/or impairments that have already occurred as of the balance sheet date. Therefore, we do not believe salvage value and useful life assumptions should be considered “future-oriented” information, in the context of the Board’s disclosure framework. Further, we believe information already included in our financial statements related to, among other things, critical accounting policies and fair value inputs provides the user of financial statements with the necessary information to understand how the company applies the accounting to areas requiring significant judgment by management.

Management Plans and Strategies

Management Plans and Strategies by their very nature are primarily considered in the classification or recognition of certain assets and liabilities. For example, if management plans to sell an asset in the future, typically that asset is classified as held for sale, which carries different accounting considerations than an asset that is expected to be held to maturity or held and used. Another example of a management where management’s plans come into play is with regard to restructuring. When management has a plan to restructure, so long as other



criteria are also met, the entity would record a current liability with respect to the charges expected to be incurred as a result of the plan to restructure. These types of assertions by management are not technically an input to the value of the asset or liability, but rather they are attributes that determine which accounting model should be applied.

The exposure draft further clarifies that information related to management's plans would be appropriate to be considered for disclosure, however information related to management's plan, which would be subject to external factors that are outside of the control of the entity's management would not be appropriate to include in the notes to the financial statements. We believe these concepts are consistent with current practice in most accounting areas and agree with the Board's approach in this regard.

Effect of Future Changes in Existing Conditions

This area causes us a great deal of concern. While we understand conceptually that understanding the impact of 100 basis-point adjustment to interest rates might have value for a specific asset or liability, it is rarely that simple.

For example, the value of a mortgage servicing right is significantly impacted by both interest rates and prepayment speeds. These two inputs are typically inversely correlated such that when interest rates rise, prepayment speeds fall and vice versa. As a result, simply stressing the value of the mortgage servicing right for the impact of 100 basis-point change in interest rate would not be a faithful representation of the actual value of the asset under that scenario. In addition, because there is no reliable method to allow for such a stress to be evaluated in total (i.e. reflecting the interest rate change into the prepayment speed input to come up with a value), we believe such disclosures to be disingenuous and misleading and should therefore be avoided. Further, we believe this type of information is a prime area of concern when it comes to the potential for the future negative consequences that the Board is trying to avoid.

Disclosure Longevity

While the longevity of a disclosure is likely to be covered under the management's consideration portion of the Board's overall disclosure framework project, we believe the Board should prepare an appropriate principle within the concept statements to cover this concept. For example, if an item is material to an entity's financial statements in one period, but not the next, a clear principle outlining the appropriateness of continuing to retain or remove such a disclosure would be useful. Currently there is no clear guidance in this area and we believe there is significant diversity in practice as to whether such disclosures are continued to be carried due to the comparative periods or whether they are eliminated.

Interim Reporting Considerations

As noted in our opening, over the past several years the number, types and complexity of required disclosures has grown significantly. We believe this is especially true of interim reporting requirements.

In paragraph D63, the exposure draft very succinctly describes a principle for the two primary purposes of the notes to the financial statements for interim periods. These are 1) to “describe



differences from the most recent annual financial statements in recognition, measurement or presentation of line items” and 2) to “explain how the financial position and results of operations for the interim period relate to the entire year.”

We believe this dual-purpose principle is conceptually sound, consistent with the historic notion of interim reporting as an extension of annual reporting and believe that it would be prudent for the Board to keep the concept to this succinct notion. However, the exposure draft continues by prescribing additional information that should be included in both interim and annual periods in addition to what would be required by the stated principle. For example paragraph D67 of the exposure draft would seem to imply that contingencies and fair value information should always be provided regardless of whether or not there have been relevant or material changes to them within the reporting period.

Further, if additional information is required to understand what is occurring within the business during interim periods, we believe that the MD&A section would be the most appropriate place to incorporate such information. As such, we ask that the Board continue to work with the SEC and other prudent regulators to establish appropriate concepts specifically for interim reporting.

Ally appreciates the opportunity to share our comments with the Board and would like to re-emphasize the concept of having the Board work with the SEC and other prudent regulators as concept statements for disclosures are being deliberated. We urge the FASB staff and the Board to consider our responses both in our general comments and in Appendix A when finalizing the exposure draft. If you have any questions on the comments contained in this letter, please contact me at 267-387-7054.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Anspach".

Michael Anspach
Executive Director, Global Corporate Accounting Policy
Ally

cc: Mr. David DeBrunner, Chief Accounting Officer and Corporate Controller



Appendix A

FASB Questions for Respondents

Question 1: Should financial statements of employee benefit plans be excluded from the scope of this chapter of the conceptual framework?

Ally Response: Yes. Due to the unique nature of employee benefit plan reporting, we agree with the Board's conclusion to scope them out for purposes of this chapter of the Concept Statements.

Question 4: Are there additional concepts needed to identify information that is unsuitable for requirement by the Board in notes to financial statements even though that information would be consistent with the purpose of the notes?

Ally Response: As noted throughout our general comments, we believe that the Board should work closely with the SEC and other prudent regulators as these concepts are developed. In doing so, careful consideration should be taken to avoid circumstances of both redundancies in specific disclosure items as well as, unnecessary duplication of effort related to different iterations of the same data. While the Board noted in the exposure draft the need to at times require such redundancy or duplication of effort, we feel such consideration better resides with the SEC and/or the prudent regulators.

Question 5: Do the decision questions in Appendix A identify the information appropriate for the Board to consider requiring for disclosure when setting standards related to line items and other past events and current circumstances and conditions that can assist resource providers in their decision making?

Ally Response: While we believe much of the information within the decision questions is appropriate, there are a few items for which we disagree. As noted within our general comments, we feel strongly that sensitivity analyses whereby the resulting sensitivity does not reflect the full nature of the impact of such a stress should not be included in the notes to the financial statements.

Question 6: Does the discussion in paragraphs D43–D50 identify the information appropriate for the Board to consider when setting standards related to information about the reporting entity?

Ally Response: While we believe much of the information within paragraphs D43–D50 is relevant and appropriate for the Board's consideration, we are concerned with the inclusion of the concepts of restrictions, privileges, advantages and disadvantages. Such information is very subjective and may include information that could be considered to provide trade secrets that would negatively impact the company in the long term. Any information of this type that is disclosed should be limited to information that would not



provide trade secrets and we believe better fits in the MD&A and not in the notes to the financial statements.

Question 7: Will the concepts related to future-oriented information (paragraphs D22–D31) result in disclosures that are appropriate for the notes? If not, what types of information should be included in or excluded from consideration for disclosure in the notes?

Ally Response: Please see our response within our general comments on this topic.

Question 8: Do the concepts in this chapter appropriately distinguish the types of information that are appropriate for the notes from the analysis management provides in other communications?

Ally Response: We believe the concepts include far too many exceptions to the general principle being considered. In addition, there are various items previously mentioned that we believe would be more appropriate for the MD&A rather than the notes to the financial statements.

Question 9: Are the concepts related to disclosure requirements for interim periods (paragraphs D60–D71) appropriate? If not, are there concepts that should be added or removed?

Ally Response: Please see our response within our general comments on this topic.