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July 14, 2014

Ms. Susan Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference no. 2014-200: *Proposed Statement of Financial Accounting Concepts, Conceptual Framework for Financial Reporting, Chapter 8: Notes to Financial Statements*

Dear Ms. Cosper:

Citigroup appreciates the opportunity to comment on the *Proposed Statement of Financial Accounting Concepts, Conceptual Framework for Financial Reporting, Chapter 8: Notes to Financial Statements* (the Exposure Draft), because we believe that providing appropriate and sufficient disclosure in reporting entities' financial statements is critical for investors and other users to understand the reporting entity's business, financial condition and results of operations.

Over time, financial statements have grown significantly in length with comprehensive disclosures added with each new standard. However, these voluminous added disclosures may result in the most significant information being obscured. As a result, we believe that most investors do not read the annual and interim financial statements in their entirety, but rather use these documents like an encyclopedia, looking up specific information in which they are interested as needed. We had hoped that this Exposure Draft would address this disclosure overload issue more directly. While the Exposure Draft does lay out a framework for making decisions about which disclosures should be required, that framework is quite broad and there are few limitations. Moreover, the questions and the information to be considered for disclosure included in Appendix A are extremely comprehensive, such that no limits are set for what could potentially be included in required disclosures, and it is not useful for prioritizing disclosures for consideration.

In addition, the purpose of interim financial statements – to provide an update of significant changes since the most recent annual financial statements – has been lost, since many recent new standards have required a full set of added disclosures in both annual and interim financial statements without regard for whether or not there have been significant changes. While the Exposure Draft states that interim financial statements are not designed to be as complete as a set of annual financial statements, today interim financial statements are almost as lengthy and comprehensive as annual financial statements. Significant

amounts of these interim disclosures are virtually verbatim repetitions of annual report disclosures, for example, descriptions of securitizations and variable interest entities, fair value methodologies, hedging programs and other-than-temporary impairments. A cross reference to the annual financial statements as is done for the summary of significant accounting policies should be sufficient in interim financial statements. Moreover, some of the tabular disclosures required in interim financial statements should only be provided where there have been significant, rather than slight, changes from the prior year-end. We believe such disclosure overload should be promptly addressed by the Board in accordance with the principle outlined in the Exposure Draft.

While the Board acknowledges that disclosure of forward-looking information and uncertain future events in financial statements can be harmful to, and may have negative effects on the cash flow prospects of, the reporting entity and should, therefore, be limited to those instances where forward-looking data and forecasts of future expectations are reflected in financial statement balances, Appendix A, Question O1 includes as eligible disclosures for consideration “potential litigation against the entity or by the entity against another entity or entities” and “suspected ...violations by the entity of laws, regulations, or contractual terms.” Disclosure of these items in any but the most general terms, such as is included in discussions of risk factors in management’s discussion and analysis (MD&A), could potentially cause such litigation to be initiated or charges of violations to be brought against the reporting entity and would certainly be harmful to the reporting entity. Those items should be removed from the list of potential disclosures to be considered by the Board.

The Exposure Draft proposes bringing into the financial statements information, such as risk factors, that is presently included in MD&A for SEC registrants. We believe that such information and other forward-looking information should remain in MD&A where it is covered by a safe harbor. Paragraph D38 cites additional types of information that will be useful for some line items in some circumstances and includes “potential effects of changes in general legal and economic conditions, accounting methods, market factors, and factors specific to the entity or sector such as social perceptions of initiatives, imminent obsolescence, supply chain concerns, new regulations, availability of trained workers, management turnover, or environmental hazards.” To the extent that such information is material and relevant, it would be better discussed in MD&A, since it does not relate to the historical financial statements. Question L7 would include the causes of changes in results of operations from the prior period, which is currently included in MD&A. To the extent the Board believes that non-public companies should include in their financial statements information that public companies include in MD&A, that concern should be addressed by the Private Company Council, rather than shifting MD&A disclosures into the financial statements for all reporting entities.

Paragraph 38 also includes “alternative measurements and information to support those measurements” as useful information and Questions L10 and L15 could result in a reporting entity’s being required to maintain duplicate sets of accounting records – one for the accounting method chosen by the company and another for the accounting method not selected – in perpetuity in order to be able to measure the magnitude of the effect of selecting a particular accounting method. This would be very costly and would not pass the Exposure Draft’s acknowledgement that disclosures must pass a cost constraint test.

We agree with the Board's decision to exclude employee benefit plans from the scope of this Exposure Draft.

If you would like to discuss our comments, please contact me at 347-648-7721.

Sincerely,



Robert Traficanti
Global Head of Accounting Policy