2 Court Square, 15th floor
Long Island City, NY 11101

August 4, 2015

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

File Reference No. 2015-280, *Proposed Accounting Standards Update, Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Equity Method of Accounting*

Dear Ms. Cosper:

Citigroup appreciates the opportunity to comment on the Exposure Draft of the proposed Accounting Standards Update ("ASU"), *Investments (Topic 323): Simplifying the Equity Method of Accounting* ("the Proposal").

We support the efforts of the Board to reduce complexity in accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. We are fully supportive of both of the amendments in the Proposal. One proposal would eliminate the requirement to account for the difference between the cost of an investment and the investor's proportionate share of the net assets of the investee, by amortizing this difference over time. In contrast, the Proposal requires that the equity method investment's cost basis be recorded without subsequent amortization of the difference between the investment's cost and the fair value of the net assets of the investee.

We also support the other proposal that eliminates the equity investor's requirement to retroactively reflect an increase in ownership level in an investee. For example, if an investor had been recording its investment on a cost basis (20% or less investment), but then purchases an additional interest that moves the total ownership above 20% (requiring use of the equity method of accounting), current accounting principles require retroactively adjusting current financial statements for prior periods as if the equity method had always been used for that investment.

We believe that these proposed changes constitute an appropriate simplification of accounting that would be beneficial to preparers and other stakeholders.

Our responses to the specific questions presented in the proposed ASU are provided below.

We would be pleased to discuss our comments with you at your convenience. Please feel free to call me at (347) 648-7721.

Sincerely,

Robert Traficanti
Global Head of Accounting Policy

Question 1: *Should accounting for the basis difference of equity method investments as if the investment were a consolidated subsidiary be eliminated? Why or why not? Would amortization of the entire basis difference through equity method earnings be preferable? If so, what would be the suggested amortization period?*

We believe that the basis difference of equity method investments should be eliminated, because determining the purchase price adjustments as if the investment were a consolidated subsidiary is costly and very difficult to complete, since the investor does not have control over the investee. Thus, gaining access to the information needed to determine the purchase accounting adjustments may be limited. Moreover, we believe that the basis adjustment and related amortization does not provide more useful information than that required by the Proposal.

Question 2: *Should the accounting for capitalized interest, which adds to the basis of an entity's equity method investment and is amortized, also be eliminated for equity method investments? Why or why not?*

See our response to Question 1 above.

Question 3: *Should an entity be required to apply the proposed amendments related to accounting for the basis difference on a modified prospective basis as of the effective date? Why or why not?*

We agree that the modified prospective basis of accounting is appropriate. Retrospective adoption would be confusing to users and would likely not result in material changes to previously issued financial statements and, thus, there would be no benefit justifying the cost of revising prior years' financial statements.

Question 4: *Should an entity no longer be required to retroactively adopt the equity method of accounting if an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest? Why or why not?*

Again, this current requirement is highly complex to implement. Obtaining the necessary information is difficult and may not be available for the earliest years presented in the financial statements, and does not provide meaningful information to financial statement users.

Question 5: *Should the proposed guidance to eliminate the requirement to retroactively adopt the equity method of accounting be applied prospectively? Why or why not?*

Yes, we agree. See our response to Question 4.

Question 6: *How much time will be necessary to adopt the amendments in this proposed Update? Should early adoption be permitted? Should the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?*

We believe that making the transition to this new standard will not be difficult and, therefore, we encourage an early effective date and recommend allowing early adoption. We would not object to providing entities other than public business entities with additional time to implement the proposed ASU, if those entities believe that is necessary.

Question 7: *Would the proposed amendments meet the objective of the Simplification Initiative, which is to improve GAAP by reducing cost and complexity while maintaining or improving the usefulness of the information provided to users of financial statements? Why or why not?*

Yes, we think the proposed amendments would meet the objective of the Simplification Initiative, since it will reduce the costs of completing purchase accounting adjustments, identifying goodwill and other intangible assets, and amortizing the intangibles and other purchase accounting adjustments.