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September 5, 2017

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

***File Reference No. 2017-240***

Dear Ms. Cospers:

Citigroup appreciates the opportunity to comment on the Exposure Draft of the proposed Accounting Standards Update (“ASU” or the “Exposure Draft”), *Consolidation (Topic 810) Targeted Improvements to Related Party Guidance for Variable Interest Entities*.

We commend the efforts of the Board to reduce complexity in accounting standards while maintaining and improving the usefulness of the information provided to users of financial statements.

We agree with the Board’s proposal that indirect interests held through related parties that are under common control with a decision maker or service provider be considered on a proportional basis. As the Board noted in paragraph BC25, we believe there should be a similar approach for how those interests are considered when determining whether decision-making fees are variable interests or whether a single decision maker is the primary beneficiary. In a proportional approach, cost and complexity will be reduced as decision makers that are otherwise agents will more likely come to those agent conclusions from an accounting perspective. In addition, a proportional approach better reflects the economics of the arrangement, which we understand was a Board consideration in ASU 2015-02, *Consolidation (Topic 810) Amendments to the Consolidation Analysis*. We urge the FASB to finalize this improvement.

In regard to the proposed amendments to the “related party tie breaker test” (paragraph 810-10-25-44), Citi agrees with the Board’s proposal to revisit current GAAP that requires consolidation of a variable interest entity by one of the legal entities under common control (or one of the legal entities with shared power). The “related party tie breaker test” affects the financial reporting for a stand-alone legal entity. The “related party tie breaker test” results in a stand-alone legal entity in a commonly controlled group consolidating a VIE. However, that stand-alone legal entity may not have controlling rights over the assets of the VIE or an obligation for its liabilities.

Therefore, we don't believe consolidation of the VIE's assets and liabilities in these types of fact patterns provides decision useful information to creditors and investors of the stand-alone legal entity, and we understand that users of financial statements have often advised the Board that consolidation may often obscure the financial performance of the legal entity for which they are financing or investing. We believe consolidation of a VIE should occur when the legal entity has a controlling financial interest on a stand-alone basis; therefore, the objectives of the "related party tie breaker test" appear inconsistent with financial reporting of a stand-alone entity.

Citi would support removing the "related party tie breaker test" as this would better reflect the stand-alone financial statements (includes its footnotes) of the legal entity in the commonly controlled group. We understand this was a view that the FASB staff introduced to the Board during deliberations, but it was not the alternative accepted for the Exposure Draft.

We do not believe recognizing assets and liabilities of a VIE by one entity (Entity A) because another legal entity under common control (Entity B) has the power over the VIE (or the requisite economics) is decision useful to creditors or investors that are only interested in the rights and economics that belong solely to Entity A. However, if the Board continues to believe consolidation should continue to be a consideration by a stand-alone legal entity in a commonly controlled group, we agree with the Board's proposal that permits judgment and does not make consolidation a requirement. These types of fact patterns occur for many reasons and allowing judgment, in a very judgmental area, will lead to improved financial reporting.

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