

Letter of Comment No: 18
File Reference: EITF03-1
Date Received: 9/28/04

September 28, 2004

Mr. Lawrence Smith
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Proposed FASB Staff Position EITF Issue 03-1-b, *Effective Date of Paragraph 16 of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"*

Dear Mr. Smith:

Citigroup appreciates the opportunity to comment on the Proposed FASB Staff Position EITF Issue 03-1-b, *Effective Date of Paragraph 16 of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments."* We wish to thank the Board for delaying the effective date of this Issue, since this impairment model as it relates to security losses caused solely by interest-rate increases has potentially drastic implications for companies' portfolio management practices, accounting systems and earnings. Furthermore, we believe that the delay should be extended to all securities, since the application of the EITF was also not well understood in practice.

Citigroup recommends that the Board make paragraph 16 of EITF 03-1 effective on January 1, 2005, for calendar year-end companies. This timing will allow companies the time to understand the paragraph 16 implementation guidance, and to create appropriate systems, controls and staff training. We oppose an earlier implementation date because companies are challenged to meet the internal control requirements of Sarbanes-Oxley 404, in addition to year-end processes. The operational difficulties surrounding EITF 03-1 are significant because of the severity of its "tainting" provisions and the potential loss of portfolio-management flexibility that companies may experience as they may chose to hold securities for a reasonable recovery period. Given the comment deadline of October 29, 2004 for proposed FSP EITF Issue 03-1a, companies will have at best six weeks to make the new guidance operational if paragraph 16 is made effective for year-end 2004 financial statements. We therefore ask the Board to abide by its commitment to refrain from issuing new standards at year-end.

In regard to a "minor" impairment exception for equity and other securities covered by paragraphs 10-15 of EITF 03-1, Citigroup believes that paragraph 11 of EITF 03-1 provides for an adequate level of judgment in determining whether other-than-temporary

impairment exists for those securities. Therefore, we ask that the Board not expand the proposed concept of “minor” impairment to those securities covered in paragraph 11 and, therefore, outside the scope of paragraph 16.

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We appreciate the opportunity to express our views on the proposal. If you have any questions regarding our comments, please do not hesitate to contact me at (212)-559-7721.

Sincerely,

Robert Trafficanti
Vice President and Deputy Controller