

Letter of Comment No: 65
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August 29, 2002

Ms. Suzanne Q. Bielstein
Director of Major Projects and Technical Activities
File Reference 1082-200
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Dear Ms. Bielstein:

We appreciate the opportunity to comment on the FASB's proposed interpretation of ARB No. 51, *Consolidation of Certain Special Purpose Entities* (herein referred to as the "Exposure Draft" or the "ED"), as issued by the FASB on June 28, 2002.

We believe that the Exposure Draft provides appropriate guidance for determining whether a Special Purpose Entity ("SPE") should be evaluated for consolidation based on voting interests or based on variable interests. The provision regarding the sufficiency of the equity investment to assess if the SPE can finance its own activities without relying on financial support from the variable interest holders provides clear guidance to be used in evaluating whether the SPE has sufficient independent economic substance.

We have identified certain provisions of the ED that we suggest require further deliberation by the Board, as follows.

SPE's That Hold Certain Financial Assets

We believe that the Board should reassess the requirements of paragraphs 22 and 23 of the ED, specifically as they relate to SPE's with multiple variable interests, such as multi-seller conduit asset securitization structures ("Multi-Seller Programs" or "MSPs"). Paragraph 17 of the ED states that, in the case of an SPE with multiple variable interests, "if the contractual or legal provisions or agreements substantially restrict an enterprise's rights and obligations to specifically identified assets...that enterprise shall treat those assets and the portions of the SPE's liabilities attributable to those assets as a separate SPE." This separate SPE would then be subject to the provisions of paragraphs 22 and 23.

Transferors to a MSP generally do not have access to the contractual or legal documents related to the formation and management of the trust into which the assets are transferred and therefore, are often not able to assess if the structure and operations of the Multi-Seller Program would meet the paragraph 35 criteria in FASB Statement No. 140 to be considered a QSPE. As a result, it would not be possible for transferors to determine whether the SPE meets the criteria in paragraph 22(b) of the ED, for purposes of determining consolidation. For the Multi-Seller Programs familiar to us, the individual transferor generally has limited rights and obligations to the assets subsequent to transfer, including the surrender of control and limitations as to further involvement. These rights and obligations are consistent with the criteria for a transfer to a qualifying SPE ("QSPE") under FASB Statement No. 140. In essence, the proposed accounting treatment in the ED would result in different accounting treatment for transactions bearing similar risks, as the variable interests of a transferor to a Multi-Seller Program result in no additional risks and rewards or control when compared to the retained interest of a transferor to a QSPE. Furthermore, this is contrary to the Board's intent as stated in paragraph B20 of the ED.

Therefore, we believe the ED should provide for an assessment of the level of control and management by the transferor of the separate SPE within a structure that includes multiple variable interest holders. The substance of Multi-Seller Programs is consistent with QSPE's as they relate to the individual transferors of assets, and therefore assets transferred to such structures, and liabilities associated with such assets, should not be consolidated by the transferor.

Disclosure

The proposed provisions of paragraph 25 would require disclosure of assets and liabilities of SPE's where the enterprise provides significant administrative services, but is not the primary beneficiary. If the Board reconsiders the provisions of paragraphs 22 and 23 as described above, certain SPE's may not be consolidated, and would therefore be subject to such disclosures. We recommend maintaining the requirement for similar disclosures of the assets and liabilities of these unconsolidated SPE's, along with a description of the purpose of these SPE's. We believe that such requirements would result in more consistent and complete disclosure for all SPE's, including QSPE's (through the disclosures required under FASB Statement No. 140), SPE's that are not consolidated under this ED, and SPE's that are consolidated under this ED.

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Effective Date and Transition

Paragraph 26 states that the provisions of the ED would be effective for existing SPE's as of the first period beginning after March 15, 2003. Assets transferred to certain asset securitization structures that were created under pre-existing accounting standards, would, upon implementation of the ED, be consolidated under the provisions of the ED (as currently written) along with the liabilities associated with such assets. Amendments or changes to the contractual or legal agreements underlying such structures, to comply with the criteria in paragraphs 22 and 23 or to meet the criteria of a QSPE, will be difficult to complete prior to the March 15, 2003 implementation date, if at all. In the case of many MSPs involving several unrelated parties, such amendments or changes to underlying agreements and documents would be practically impossible.

Therefore, we recommend a delay in the effective date of the ED for six months to one year to allow companies sufficient time to evaluate the Interpretation and complete any amendments or changes to contractual or legal documents underlying securitization structures, where possible. In addition, we recommend that existing MSP transactions within asset securitization structures as of the adoption date that are not consolidated under current accounting standards be grandfathered from the application of the ED when effective.

We would be pleased to discuss our comments and recommendations at your convenience. Please contact John Bodner, Assistant Controller, Financial Reporting and Accounting Policy, of DaimlerChrysler Services North America LLC, at (248) 304-8411.

Very truly yours,
DaimlerChrysler Services North America LLC

/s/ John S. Bodner
John S. Bodner
Assistant Controller, Financial Reporting and
Accounting Policy