



Bank of Tokyo-Mitsubishi

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Financial Accounting Standards Board
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Dear FASB Members:

We are pleased to comment on the FASB's Exposure Draft, Consolidated Policy and Procedures (ED), dated May 24, 1999. BTM Capital Corporation is a wholly owned subsidiary of the Bank of Tokyo Mitsubishi, Ltd. We are engaged in the financial services industry as an originator, investor and syndicator of leasing, securitization, and debt financing products. We are responding to the ED as a user of financial statements as well as a participant in arranging financial transactions.

We do not support the issuance of the ED as a financial accounting standard because we believe that:

1. it would not improve financial reporting;
2. it does not adequately address issues surrounding special purpose entities (SPE's); and
3. the proposed effective date is unrealistic.

Current accounting standards governing consolidation are clearly understood by practitioners and result in consistency among preparers and users of financial statements. The ED proposes to remove the clarity of the existing standard and to replace it with a theoretical model that is unlikely to be applied consistently in practice. As users of financial statements we believe that diversity in practice could result in misleading financial information and poor business decisions. We believe that consistency in financial reporting is essential if users of financial information are to be able to interpret financial performance based upon the preparer's financial statements.

In contrast to the clarity of current standards in regard to corporate entities, Special Purpose Entities (SPE's) are subject to a myriad of statements, interpretations, EITF guidance, as well as AICPA and SEC literature. The proposed standard does little to clarify the treatment of SPE's nor does it provide sufficient information to identify which, if any, of the existing literature will be superseded by the standard. The ED selectively addresses certain issues in the example section, but the examples do not provide guidance for a majority of the SPE's currently used in financial transactions.

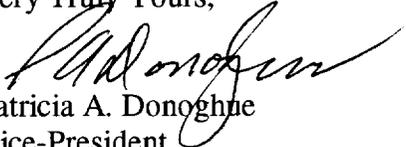
SPE's by their nature are unlikely to possess any of the rebuttable presumptions of control. In the financial services industry, most are likely to be trusts. As a result, the lack of

clarity regarding SPE's is likely to continue to result in inconsistency in practice. The rules governing Qualifying SPE's (QSPE's) are defined in Statement 125. Presumably, the pending amendment to this statement will clarify any inconsistencies surrounding QSPE's; however, many securitization transactions are housed in SPE's which do not qualify as QSPE's. The guidance in respect to these SPE's remains unclear.

Of particular concern is the consolidation of SPE's owning assets under lease. We request that the FASB clarify whether the existing guidance provided by the EITF will be superseded. We have found it difficult to reconcile the guidance provided by EITF in 90-15, 96-21 and 96-20 as well as topic D-14 to examples 7 and 8 of the ED. The EITF has established a bright line test of 3% equity, which is inconsistent with both the theory, and examples set out in the ED. We continue to be concerned that identical transactions, one owned via an SPE and another without an SPE, could be accorded different accounting treatment by the lessee and the lessor, based upon the existence of the SPE alone. In regard to leasing transactions, the FASB appears to fall back upon legal form, rather than the financial aspects of the transaction. FAS #13 clearly spells out the rules for the balance sheet treatment of assets under lease. FAS #13 requires extensive disclosures which we believe to be adequate to inform users of financial statements in regard to leasing obligations. The proposal to change those rules based upon legal form is inconsistent with the fundamental guidance provided by the ED.

The proposed effective date is less than 7 months away which will place a burden on preparers and users of financial statements. This is exacerbated by the requirement to restate prior years and to report interim periods according to the new standard. In order to comply with the new standard, preparers would be required to begin collecting data on financial systems at the same time that they are converting financial systems to comply with year 2000 requirements. We recommend that a significant change in the standard be delayed by one year.

Very Truly Yours,


Patricia A. Donoghue
Vice-President