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October 15, 2008

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116



* F S P 1 4 0 R 4 6 R *
LETTER OF COMMENT NO. 5

Re: Proposed FSP No. 140-e and FIN 46(R)-e, *Disclosures about Transfers of Financial Assets and Interests in Variable Interest Entities*

Dear Mr. Golden:

Goldman Sachs appreciates the opportunity to comment on the above-captioned proposed FASB Staff Position (the "FSP"). We support the principal objectives of the disclosures as stated in paragraphs 16A, 16B and 22A of the FSP. We believe they are responsive in some respects to disclosure recommendations II-5 and II-6 contained in The Report of the Counterparty Risk Management Policy Group III, *Containing Systemic Risk: The Road to Reform* (August 6, 2008; the "Report").

In our view, the FSP would be enhanced and more responsive to the Report if its:

- principal objectives included full integration with existing enterprise-wide risk disclosures currently required of public enterprises (market, credit, liquidity, capital, operational and reputational) and,
- detailed disclosures were more principles based, less prescriptive and better linked to enterprise-wide disclosures.

Integration with Enterprise-Wide Risk Disclosures

We encourage the Board to include integration with existing enterprise-wide risk disclosures as one of the FSP's principal objectives. It is important for users to understand how an interest in a variable interest entity (VIE) affects an enterprise's overall risk profiles. An interest in a VIE can either create or absorb risk, depending on

the terms of the arrangements. From our perspective as risk managers, a VIE is just another counterparty or issuer, and we analyze risk in the same manner as transactions with non-VIEs. Moreover, our fair value accounting model treats them equally as well.

Less Prescriptive Disclosures and Better Linkage to Enterprise-Wide Disclosures

The FSP contains many new detailed disclosures and retains all of the existing disclosures in FAS 140 and FIN 46(R). As noted in the Report, “current disclosure requirements, although numerous and complex, are heavily prescriptive and generally rules-based. Disclosure requirements tend to overlap in certain areas (generally, where more accounting guidance was provided by standard setters), and gap in other areas. This creates unnecessary complexity and is not conducive to providing clear and transparent disclosures.”

We encourage the Board to rethink its proposed disclosures. In our view, the proposed disclosures should be more principles based, less prescriptive and better linked with the enterprise-wide disclosures. We have recommendations in several areas.

Scope

Only significant involvements should be disclosed. Disclosure of insignificant involvements is likely to cause information overload, making it harder for users to recognize and analyze material involvements.

Regarding reputational risk and sponsors of VIEs, our view is that FSP FIN 46(R)-5, *Implicit Variable Interests under FASB Interpretation No. 46 (revised December 2003)*, currently requires an analysis of reputational risk.

Derivatives should be included only to the extent they are variable interests. We believe FSP FIN 46(R)-6, *Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)*, provides guidance in this area.

Fair Value Disclosures of Retained Interests and Statement 157

We encourage the Board to remove duplicative disclosures in light of the disclosure requirements of Statement 157.

Liquidity Guarantees and other Commitments Provided by Third Parties

We question the relevance and utility of disclosing another reporting entity’s risk exposures. We are concerned users may erroneously conclude these are our risks. In addition, this information may not be available to us, particularly if we were not involved with the formation of the VIE. Moreover, it would require us to monitor and track amendments, imposing additional costs and the risk of disclosing outdated information.

Close Calls

The FSP requires disclosure of “close calls” in terms of the assumptions and judgments made and quantitative information to give users the ability to recast the financial statements if they have a different view. This type of disclosure appears to be gaining

traction with the Board, which relies on “market discipline” to influence behavior, a principle we support. Conceptually, it should encourage greater analytical rigor and reinforce managements’ responsibility for the preparation of the financial statements. However, we urge the Board to tread carefully in this area before expanding its use, as these disclosures could have the opposite behavioral effect; entities may apply *less* analytical rigor, inappropriately believing that sufficient information was disclosed about the consequences of an alternative view.

Primary Beneficiary Disclosures

The FSP expands the scope of the primary beneficiary disclosures by restricting the exemption from disclosure to entities that comply with revised footnote 11; that is, the enterprise holds a majority voting interest (to the extent it exists), the VIE meets the definition of a business, and the VIE’s assets can be used for purposes other than the settlement of the VIE’s obligations.

We believe the exemption is too narrow and will include wholly-owned subsidiaries that hold purchased assets, such as loans and private equity investments. Wholly-owned subsidiaries may be VIEs for legal, tax, regulatory or other reasons. As we indicated above, a VIE is just another counterparty or issuer (or in this case, another subsidiary) and we see no economic rationale for disclosing a particular investment that is part of our inventory solely because it happens to be held in a VIE.

We also believe the phrase “the entity’s assets can be used for purposes other than the settlement of the entity’s obligations” is overly restrictive and unclear. The phrase appears to indicate that if the entity can distribute assets to its owners (dividends), then it meets the exemption. Lenders often restrict an operating subsidiary’s ability to pay dividends and so it is unclear whether the condition is met. In that case, SEC regulations already require disclosure about restrictions on a subsidiary’s ability to distribute assets to its parent.

We believe an enterprise should be exempted from the primary beneficiary disclosures if it holds a majority voting interest and the VIE is not a securitization vehicle.

Effective Date

We have a November year end and it would be extremely challenging if we had to include these disclosures in our year end reporting, on top of FAS 161 (derivatives disclosures), FSP 140-3 (repurchase financing transactions), and FSP 133-1 and FIN 45-4 (credit derivatives disclosures). We believe they should be required as of the first quarter of our fiscal year 2009.

If you have any questions or comments regarding our letter, please do not hesitate to contact me at 212-357-8437.

Sincerely,

A handwritten signature in black ink that reads "Matthew L. Schroeder". The signature is written in a cursive style with a large, stylized initial "M".

Matthew L. Schroeder