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October 9, 2008

Mr. Russell G. Golden  
Director of Technical Application and Implementation Activities  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
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LETTER OF COMMENT NO. 85

**File Reference: Proposed FASB Staff Position FAS 157-d, *Determining the Fair Value of a Financial Asset in a Market That Is Not Active***

Dear Mr. Golden:

Citigroup is pleased to have the opportunity to submit comments on the Proposed FASB Staff Position No.157-d, *Determining the Fair Value of a Financial Asset in a Market That Is Not Active*.

Citigroup supports the Board's objective to clarify the application of FAS 157 in an inactive market. In particular, we agree that entities should consider all relevant data available when determining the fair value for a financial instrument. While we agree that broker quotes should not be ignored in inactive markets, we believe that companies should first determine whether the broker quotes are reliable and relevant before incorporating those quotes as inputs to their valuation estimates.

In addition, we support the board's position not to establish bright lines and allow entities to apply judgment to determine the fair value for a financial instrument, particularly in inactive markets. We believe that a significant amount of judgment is needed in order to weigh all the market data that is available to determine an appropriate fair value.

Our specific concerns with the FSP are discussed below.

We believe that the scope of the FSP should not only be limited to financial assets, but should also be expanded to liabilities. We fail to understand why derivatives in a liability position should be accounted for differently than derivatives in an asset position. We strongly believe the accounting treatment should be consistent for both assets and liabilities.

Paragraph 9(c) states that an entity should place less reliance on broker quotes that do not reflect the result of market transactions. In practice, brokers often will not disclose much information regarding how they generate their quotes. Entities should first determine whether the broker quotes are reliable and relevant before incorporating them as inputs to their valuation estimates. If companies are unable to obtain an adequate understanding of how the broker generated their quote or believe the quote is not reliable, they should

exclude those quotes from the valuation process. The draft FSP should make it clear that such broker quotes should be excluded.

In paragraph A32D, Example 11 states that “the implied rate of return at the last date on which the market was considered active for the collateralized debt obligation security was 15 percent.” The example seems to assume that the date on which the market became inactive is clear. In reality, entities may not know on which day the market crossed the line from being active to being considered inactive. The FSP should clarify that this determination would be a matter of judgment and not fact.

The example also implies that Entity A can determine with precision that credit spreads have widened by 100 basis points and liquidity risk premiums have increased by 400 basis points. In reality, these inputs are not observable in an inactive market and require judgment. If such inputs were readily available, brokers would be able to provide more reliable quotes. We believe that it would be helpful if the example emphasized that such inputs are not precise. For example, the FSP can say that based on other markets or other asset classes, Entity A has inferred approximately a 400 basis point liquidity premium. In addition, we believe that the FSP should clarify that the example is based on “old” transactions, because there may be no current transactions in certain markets which are inactive.

We would like to point out that the language in paragraph A32D indicates that nonperformance risk may include default risk, collateral value risk and other specific risks [“...nonperformance risk (for example, default risk and collateral value risk)"]. However, paragraph A32F implies that nonperformance risk includes only default risk and collateral value risk. In order to be consistent with paragraph A32D, we propose that the language in paragraph A32F be conformed to that of paragraph A32D as follows:

“...Risks include nonperformance risk (for example, default risk and collateral value risk).”

According to the FSP, paragraph A32C, entity A determines that an income approach that maximizes the use of observable inputs and minimizes the use of unobservable inputs will be *equally* (emphasis added) or more representative of fair value than the market approach used previously. We ask the FASB to clarify that judgment should be used by an entity in a situation similar to that described in paragraph A32C in deciding whether to switch to the income approach or continue to use the market approach. Please clarify that an entity would be able to choose between the two available methods.

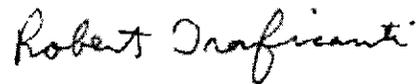
Since the FSP will be issued and becomes effective after the third quarter closing date for calendar-year preparers, companies may have previously taken a position to value an asset based on a non-binding broker quote not resulting from an actual market transaction. We are concerned that, due to time constraints, it is not possible to implement the modeling techniques described in the FSP to a large number of positions before issuance of the third quarter financial statements. We therefore ask that the FSP

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would permit rather than require application of the guidance in calendar year third quarter financial statements. However, the mandatory adoption date of the FSP should be in periods ending subsequent to the issuance of the FSP.

We thank the Board for its consideration and would welcome the opportunity to further discuss our comments with Board members and their staff. Please do not hesitate to contact me at (212) 559-7721.

Very truly yours,

A handwritten signature in cursive script that reads "Robert Traficanti".

Robert Traficanti  
Vice President and Deputy Controller  
Citigroup Inc.