

February 15, 2012

Ms. Susan M. Cosper Director of Technical Application and Implementation Activities Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re: File Reference Number 2011-210, Proposed Accounting Standards Update, Real Estate—Investment Property Entities (Topic 973)

Dear Ms. Cosper:

Citigroup appreciates the opportunity to comment to the Financial Accounting Standards Board on the proposed Accounting Standards Update (ASU), *Real Estate-Investment Property Entities (Topic 973)*.

Citigroup supports the efforts of the Financial Accounting Standards Board (FASB) to seek further convergence with the International Accounting Standards Board (IASB) by determining whether to permit or require investment properties to be carried at fair value. However, we do not believe that the proposed standard accomplishes this goal.

We are concerned the proposed ASU introduces an Investment Property Entity model that creates further complexity in U.S. GAAP and results in less convergence with IFRS.

We recommend that the FASB should apply only the finalized Investment Company model to entities holding investment properties. We believe the definition of "investment properties" is operational within the Investment Company model. We believe creating a separate Investment Property Entities model for entities holding investment properties, which depending on the specific fact pattern may or may not fall within the scope of the Investment Company model, would result in further unnecessary complexity in U.S. GAAP.

We believe entities that hold investment properties, but do not meet the Investment Company criteria, should be allowed an option, as in IAS 40, *Investment Properties*, to report their investment properties at either fair value or amortized cost. Such an option,

consistent with IAS 40, will result in further convergence with IFRS. To the extent an entity utilizes the option for some investment properties but not for other similar investment properties, we recommend additional fair value disclosures to ensure a user of the financial statements has access to comparable information. We believe management should be able to choose the measurement methodology they believe best reflects their business model while still providing relevant and comparable fair value information to investors.

As indicated in paragraph BC72, IFRS requires rental income on investment properties to be recognized on a straight-line basis or other rational basis over the lease term. Given the tentative decisions reached by the FASB at the December 14<sup>th</sup> joint meeting with the IASB, which concluded similar rental income recognition for investment properties outside the Investment Property Entity model, we also question whether the Investment Property Entity model may still be as relevant as once perceived at inception of the project.

If the Board decides to proceed with this project, in response to Question 1, Citi opposes expanding the Investment Property Entity model to require fair value reporting for all investment properties not held in an Investment Property Entity. A diversified company may not hold an investment property with the business purpose of investing for total return, but possibly for strategic competitiveness. In such circumstances, we do not believe investors will manage their ownership interests on the basis of the current fair value of the reporting company's investment property asset, which may easily be immaterial to the company's overall financial position. Moreover, a fair value requirement for companies that do not spend substantially all of their activities investing in real estate properties will be costly and operationally burdensome. We believe this requirement would result in unnecessary complexity in U.S. GAAP. Such a requirement would also be inconsistent with the FASB's tentative decisions in the Financial Instruments Classification and Measurement project, which considers a company's business strategy.

We would be pleased to discuss our comments with you at your convenience. Please feel free to call me in New York at (212) 559-7721.

Sincerely,

Robert Traficanti

Robert Draficanti

Deputy Controller and Global Head of Accounting Policy

Cc: International Accounting Standards Board