

December 21, 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 2012-250, Proposed Accounting Standards Update, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities

Dear Ms. Cosper:

Citigroup appreciates the opportunity to comment to the Financial Accounting Standards Board on the proposed Accounting Standards Update (ASU), *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.*

Citi supports the efforts of the Financial Accounting Standards Board (FASB) to address implementation issues related to the scope of ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities.* We agree with concerns that standard commercial provisions dealing with the right of offset may be prevalent in various types of contracts, leading to potential diversity in application of ASU 2011-11.

Citi agrees with the Board's decision to limit the scope of the ASU to recognized derivatives, repurchase and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to a master netting arrangement or similar agreement.

We do not believe that there are other instruments that should be included in the proposed scope that would provide relevant information to users of financial statements as it relates to reconciling balance sheet offsetting differences between financial statements prepared in accordance with U.S. GAAP and those financial statements prepared in accordance with IFRS. We also do not foresee any significant operability or auditing concerns or constraints in implementing the revised scope of the disclosures.

Citi does wish to highlight what may be unintended consequences when reconciling terms to the Master Glossary in paragraph 210-20-50-1(c). The Master Glossary for Derivative Instruments references paragraphs 815-10-15-83 through 15-139, but the Master Glossary does not include the requisite scope exceptions under Topic 815. Therefore, contracts that meet the definition of a Derivative Instrument (e.g., certain insurance contacts) but are not accounted for as a derivative

under Topic 815 may be scoped in to paragraph 210-20-50-1(c). We do not believe the Board intended this additional scope inclusion.

In addition, it is unclear whether the Board intended for embedded derivatives that are bifurcated from their host contracts and accounted for under Topic 815 to be subject to the new disclosures. A hybrid instrument would not meet the definition of a derivative instrument and it is not our experience that such bifurcated embedded derivatives would be presented net. Therefore, we believe the scope should add further emphasis on freestanding contracts that would be subject to master netting arrangements or similar agreements.

To address the above considerations, Citi proposes the following edits (<u>addition/deletion</u>) to paragraph 210-20-50-1(c):

210-20-50-1 The disclosure requirements in paragraphs 210-20-50-2 through 50-5 apply to bothall of the following:

c. Recognized **derivative instruments** (glossary link)¹ that are **freestanding contracts** (glossary link) accounted for under Topic 815, {add glossary link to 2nd Definition} **repurchase agreements** (add glossary link to 2nd Definition) and **reverse repurchase agreements** (glossary link), and securities borrowing and securities lending transactions that are offset in accordance with either Section 210-20-45 or Section 815-10-45."

¹Excluding contracts that meet one or more of the exceptions to derivative accounting in 815-10-15-13 through 815-10-15-82.

Similar edits to paragraph 210-20-50-1(d) may be incorporated as deemed necessary.

We would be pleased to discuss our comments with you at your convenience. Please feel free to call me in New York at (347) 648-7721.

Sincerely,

Robert Traficanti

Robert Draficanti

Deputy Controller and Global Head of Accounting Policy