



Richard D. Levy
Executive Vice President & Controller

MAC A0163-039
343 Sansome Street, 3rd Floor
San Francisco, CA 94104
415 222-3119
415 975-6871 Fax
richard.d.levy@wellsfargo.com

September 10, 2013

Via e-mail

Russell G. Golden, Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Hans Hoogervorst, Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Re: File Reference No. 2013-270, *Leases (Topic 842)* and ED/2013/6, *Leases*

Dear Messrs. Golden and Hoogervorst:

Wells Fargo & Company (Wells Fargo) is a \$1.4 trillion diversified financial services company providing banking, insurance, investments, mortgage, and consumer and commercial finance. We appreciate the opportunity to comment on the FASB's Proposed Accounting Standards Update, *Leases (Topic 842)* and IASB's ED/2013/6 (the "proposed guidance") as we are engaged in various leasing activities, both as a lessor and lessee, which will be significantly impacted by the proposed guidance. We lease to our customers over 365,000 non-real estate assets under approximately 220,000 finance leases and 3,000 operating leases. We structure complex transactions on behalf of customers, including over 300 leveraged lease transactions. We also are a lessee in operating leases of real estate assets in connection with our business activities, including approximately 7,000 stores and office locations. In addition, as a lender and investor, we evaluate our customers' leasing transactions included in their financial statements. Our comments are made considering these perspectives.

Executive Summary

We appreciate that the Boards have developed a largely converged proposal over leasing, and hope that the Boards continue to work together to produce a single set of accounting standards in each of their joint projects. We recognize that the existing model for leases may not provide users with sufficient transparency related to the committed obligations assumed under leasing arrangements and thus support the effort to develop a comprehensive framework to provide additional consistency and comparability over the accounting for leases. However, we do not agree with the solution to record all operating leases on the balance sheet. The proposed guidance is overly complex, operationally challenging, disconnected

September 10, 2013
Page 2

from the economic and practical realities of leasing and ultimately may discourage entities from engaging in leasing transactions.

We are not convinced that the current accounting model for leases requires the significant changes that the Boards are proposing. Although the proposed guidance includes practical improvements from the 2010 proposals, both the financial statement user and preparer communities do not believe that the proposed guidance represents a significant improvement over the current leasing model. Specifically, users¹ do not support the proposed guidance and will continue to make adjustments to the financial statements even if lease assets and liabilities are recorded on the balance sheet. In addition, users do not have a uniform manner in which they adjust for leases as each user group has specific adjustments and methods used for adjusting lease information. Lastly, users believe that existing disclosures provide sufficient transparency necessary to make such adjustments². Accordingly, preparers will incur significant cost and effort to measure and reassess lease asset and liability balances which may not be relevant or useful to users. Given the diverse views of leasing by financial statement users and the significant effort required by preparers to make the changes required by the proposed guidance, we do not believe that the proposed framework will benefit either group or address their needs in a meaningful way. We believe it is better to continue with the current model with improved disclosures rather than to create the disruption that will result from the changes in the proposed guidance.

We are also concerned about the real world consequences that the proposed guidance will inevitably produce. Examples of such consequences include:

- Many lessees, particularly entities that lease large-ticket assets, may violate debt covenants upon the recognition of significant incremental new debt related to future minimum lease payments;
- Leveraged leasing activity, which typically involves the leasing of large-ticket assets, has virtually stopped since the issuance of the initial exposure draft based on the uncertainty created by the elimination of leveraged lease accounting; and
- The recognition of lease assets and liabilities will adversely affect regulatory capital and leverage ratios for financial institutions.

The leasing industry as a whole may change dramatically because entities may see little difference between purchasing an asset or leasing it, making leasing largely unnecessary for certain assets. We are concerned that such dramatic changes to the leasing industry will be driven by accounting changes brought about by the proposed guidance, especially since there is no change to the underlying leasing transaction economics. We encourage the Boards to more fully consider these consequences in a more fulsome evaluation of the costs, benefits and economic effects of the proposed framework in any future re-deliberations.

For these reasons, we do not believe that the accounting changes in the proposed guidance represent an improvement over current lease accounting under U.S. GAAP. Financial statement users have not embraced the proposed changes and the proposed guidance will result in significant work and cost for preparers without any appreciable benefit. We would support enhanced disclosures as an alternative if such disclosures provide users with incremental decision useful information that is not already provided in existing disclosures.

¹ August 28, 2013 article, *Main Investor Panel Rejects Leases Project* and July 31, 2012 article, *Diversity among Analysts Makes Objective of FASB-IASB Lease Accounting Difficult to Achieve*

² In a July 2013 academic study, *Evidence that Market Participants Assess Recognized and Disclosed Items Similarly When Reliability is Not an Issue*, issued by the American Accounting Association, users indicated that existing operating lease disclosures are processed effectively.

If the Boards proceed with the issuance of the proposed guidance, our conceptual and operational concerns with the proposed guidance are expressed below.

Concerns with the Proposed Guidance

- **The criteria to distinguish between Type A and Type B leases should be clarified and consistently defined for both Type A and Type B leases:** The proposed guidance includes a dual classification approach which considers the amount of consumption of the underlying leased asset. We are concerned that lease contracts with similar economics will be treated differently simply because the underlying asset is real estate property vs. equipment. While we acknowledge the Boards' perspective in proposing the dual measurement³ as a simplification of the originally proposed model for property leases and to address concerns related to the accelerated earnings impact associated with certain lease arrangements, we do not believe there is a conceptual basis for arbitrarily dividing lease agreements between property and assets other than property to determine the income statement presentation.

To avoid an inconsistent classification framework, we recommend the two lease types should not be determined solely based on the underlying asset but be more clearly defined using terminology with consistent thresholds for evaluation of consumption. Specifically, we recommend that the dividing line between the two models should be whether the term of the lease or the net present value of the payments represents substantially all of the underlying asset's life or fair value and that this test be the same for lessors and lessees. We believe that "substantially all" is a very high threshold that would be indicative of effective ownership (i.e. essentially purchases of the underlying asset). We agree with the FASB dissenting opinion⁴ that such effective ownership may exist when the lease contract transfers substantially all of the underlying economics of the asset to the lessee during the lease term.

- **Inclusion of business model concepts would benefit the proposed guidance:** As a diversified financial services company, we have many different businesses that work with customers to meet their financial needs. Some of our businesses provide leasing to customers for discrete assets (e.g. equipment) where we do not expect to retain the asset at the end of the lease term. In these businesses, the primary risk to us as the lessor is the credit risk associated with the lessee. Currently, these businesses recognize lease receivables associated with these activities. Other businesses provide leasing to customers using significant, capital-intensive assets (e.g. airplanes and rail cars) where we retain the asset at the end of the lease term. The asset may be leased multiple times over its economic life and we typically provide full-service leases, including maintenance and property taxes, to maintain the asset in good condition over the full life of the asset. In these businesses, the primary risk to us as the lessor is to maintain the asset and to source lessees who will utilize the asset. Currently, these businesses recognize the fixed asset with depreciation expense and the revenue is recognized over time as the asset is leased.

We believe that the proposed guidance should consider an entity's business model, specifically for lessor accounting. Such an approach will improve the understanding of users of the business and the assets involved in the lease contracts compared to the proposed arbitrary designation of lease classification based on the underlying asset type. We do not believe that symmetry between lessee and lessor accounting is necessary given the inherent differences in the economic interests of lessees and lessors.

³ BC 40-57 in FASB proposed guidance

⁴ BC 326 a and b in FASB proposed guidance

- The accounting model for leveraged leases should be retained: The existing accounting model for leveraged leases provides the most accurate reflection of the economics of the lessor. The return on investment for the lessor is a function of both before and after tax cash flows. For the lessee, lessor tax savings are often passed on to the lessee in the form of pricing concessions which is often an integral component of the lease versus buy decision. In addition to these general leasing characteristics, leveraged leases are specifically differentiated from other leasing transactions because their non-recourse debt allows the lessor to recoup a substantial portion of its investment in the leased asset very early in the lease. The existence of the non-recourse debt provider allows the lessor to redeploy capital more quickly and efficiently. The proposed guidance will no longer integrate the impacts of tax benefits of the lessor or leverage in the accounting model. As a result, a transaction that yields positive economic returns will yield negative accounting returns during the early years of a lease. The FASB has acknowledged the relevance of an accounting model that incorporates tax considerations that are integral to the economics of a transaction as evidenced by the proposed guidance related to low income housing tax credit investments⁵.

In addition, investment decisions are often made at the transaction level based on a required minimum return on investment, i.e., the “hurdle rate”. The hurdle rate considers the cost of capital of the lessor which may be adversely affected by the proposed guidance. Accordingly, many common leasing transactions may no longer be feasible. In fact, new leveraged leasing transactions have not occurred in our company for the past several years. We acknowledge that the existing leveraged lease accounting is complex. However, we do not believe the concerns about the lease accounting model revolve around leveraged leasing. Leveraged leasing is a longstanding financing tool unique to the U.S. marketplace that is well understood by industry participants and the benefits of the reporting model outweigh any concerns about its complexity. Because leveraged leasing is unique to the US marketplace, retention of the leveraged leasing accounting model will still maintain convergence with the IASB’s proposed model. We do not understand why the FASB has chosen to advocate an accounting and reporting model this is so distinctly disconnected from the underlying economics of this form of leasing. For these reasons, we do not believe the proposed elimination of leveraged lease accounting represents an improvement in financial reporting.

- Non-recourse debt related to leveraged leases should continue to be shown on a net basis: If the FASB proceeds with the elimination of leveraged lease accounting, we propose that the FASB continue to permit a net presentation of the non-recourse debt related to the leased asset rather than separately as a liability. Requiring gross-presentation of the non-recourse debt will result in the recognition by the lessor of a larger lease receivable even though the lessor is not exposed to any incremental risk of loss. The non-recourse debt-holder absorbs that risk. The proposed guidance will result in the double counting of assets as both the lessor and the non-recourse lender will report essentially the same receivable related to the leased asset. Only the entity that is directly exposed to the economic risks and rewards associated with the underlying leased asset should recognize the non-recourse debt. Net presentation of the non-recourse debt more appropriately reflects the underlying economics of the leasing arrangement because it recognizes the inextricable contractual link between the non-recourse debt and the leased asset, as well as the lack of recourse to the lessor by the non-recourse lender.
- Existing leveraged leases should be grandfathered: Leveraged leases typically involve large-ticket fixed assets (i.e. infrastructure, railcars or aircraft), are complex and cannot be easily unwound given the various legal agreements that govern the transaction. These transactions were entered into in good faith based on the specific guidance existing at the time of transaction initiation. We believe the

⁵ Proposed Accounting Standards Update, *Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects*, a consensus of the FASB Emerging Issues Task Force

requirement to unwind existing leveraged leases creates an unnecessary burden without any appreciable benefit given the effort and cost involved in restating these individual leveraged lease transactions to lease commencement for a portfolio that is now winding down given the FASB's proposal to eliminate leveraged lease accounting.

In addition, restating these transactions will likely have significant earnings impacts, both future and retroactively restated, due to the change in the timing and placement of earnings recognition. These impacts include changes in both pre-tax income and income taxes due to separate recognition of income taxes apart from lease income, separate recognition of interest expense related to the nonrecourse debt, and changes in how income taxes are recognized for leveraged leases acquired in a business combination. In addition, many companies had prior recast⁶ events associated with IRS settlements on various leveraged lease structures and associated changes in accounting guidance which add further complexity to leveraged leases and their transition to the proposed guidance. Although we strongly recommend that the FASB retain leveraged lease accounting, if the FASB proceeds with the elimination of the leveraged lease accounting model, we encourage the FASB to grandfather the existing accounting model for leveraged leases.

- If leveraged lease accounting is not retained or grandfathered, additional detailed transition guidance is necessary: The proposed guidance provides limited transition guidance for existing leveraged leases and simply requires full retrospective transition treatment. We note that specifically requiring full retrospective transition with no alternative is very unusual. Given that leveraged leasing is completely eliminated by the proposed guidance, we are unclear on which lease model, Type A or Type B, would apply to existing leveraged leases or whether each lease must be tested individually based on the proposed guidance for Type A and Type B leases. For acquired leveraged leases, it is not clear whether the lease classification and calculation of the transition adjustment would be determined based on the original lease inception date or the acquisition date. Moreover, it is not clear how to treat acquisition date deferred tax balances included in the recorded investment of acquired leveraged leases in a full retrospective transition. Accordingly, given the complexities of unwinding leveraged lease transactions generally and acquired leveraged lease transactions specifically, we recommend that the final guidance include detailed transition examples, both for an originated leveraged lease and an acquired leveraged lease, that address these issues in detail. Under existing leveraged lease accounting, a leveraged lease first must meet the direct financing lease criteria plus several additional criteria. Accordingly, at transition, we recommend Type A treatment for leveraged leases rather than performing a new classification test for each lease. Additionally, we recommend that the FASB clarify that restatement of acquired leveraged leases should be calculated from the acquisition date and not from the original lease inception date as would appear to be required by a full retrospective treatment.
- The Boards have not eliminated bright lines or structuring opportunities: While we recognize that the Boards have attempted to apply a principles-based approach to distinguishing between Type A and Type B leases, we are concerned that the terms insignificant, substantially all and major part are not defined and not well understood based on current accounting guidance. Given this lack of clarity and inconsistent terminology between equipment and real estate leases, we expect that the guidance will be subject to differing interpretation and produce inconsistent accounting results. At a minimum, if these thresholds are not clearly defined by the Boards, preparers will ultimately define them. The guidance will also be re-interpreted by the accounting firms and bank regulators, likely in a quantitative manner similar to current leasing guidance, resulting in exactly the "bright lines" that the Boards intend to eliminate with this principles based proposed guidance. In addition to the "bright lines" that will exist in classifying leases as Type A and B, there is significant judgment involved in evaluating economic

⁶ ASC 840-30-35-38

incentive when considering renewal, purchase or termination options which will create additional opportunity for structuring transactions. Also, from a lessor perspective, companies may take actions that move long-lived assets between Type A and B leases to achieve particular accounting results. In fact, given the significant challenges of the proposed guidance, including differing investor views, operational complexity, and the impact to financial statements, we believe that more companies may be incented to design strategies to meet desired outcomes. Therefore, we do not think the proposed guidance represents an improvement over current practice.

- Lease renewal options, lease termination options and contingent rents based on indices or rates should not require periodic reassessment: Under current lease accounting, operating leases are not recorded on the balance sheet and contingent rent payments, lease renewals and lease terminations are not recognized until they occur. Under the proposed guidance, lessees will record *all leases* on balance sheet, and must reassess the economic incentives associated with lease term extensions or lease termination options and rates used to record variable rents each reporting period, and re-measure the recorded lease asset and liability whenever there is a change, which for public companies could be as frequently as quarterly. This assessment and adjustment process, which must be performed at the individual leased asset level, will be unnecessarily burdensome and costly to implement and maintain. Additionally, performing a meaningful assessment of the economic incentive to exercise an option to extend or terminate a lease each reporting period early in a lease term is highly judgmental and would not result in improved accounting as the length of time between making an informed assessment that there is an economic incentive and the actual exercise is likely to be minimal. To simplify this accounting and eliminate unnecessary subjective judgments that could produce very different accounting results based on the same facts, we recommend that reassessment for a change in lease terms only occur when the term of the lease is changed through the actual exercise of a renewal or termination option. Consistent with current accounting for contingent rents, changes in variable lease payments should be recorded in the period of change without re-measurement of the lease asset and liability.
- The lease right of use asset should be classified as a tangible asset: The Boards have not defined the right of use asset established under lessee accounting as either tangible or intangible in the proposed guidance. By this inaction, we are concerned that the Boards may have inadvertently created a new type of asset⁷. The differentiation of the right of use asset as either tangible or intangible will have significant ramifications in the financial services industry due to the reduction in regulatory capital and increase in leverage ratios that will result even though there has not been an economic change in the underlying business activities or agreements. We believe that lease transactions allow the lessee to gain access and usage of either real or personal property, both of which are tangible assets. We therefore think that the right of use asset is a tangible asset by linkage to the underlying assets and recommend that the Boards clearly comment on their evaluation regarding the classification of the right of use asset.
- Unit of account should be evaluated based on lease agreement, not leased asset level: The proposed guidance will significantly change the unit of account for lease transactions, especially when multiple pieces of equipment are leased under a master lease agreement. The proposed guidance would require each piece of equipment to be treated as a separate unit of account for recognition, measurement and presentation purposes. Treating the individual asset as the unit of account will create a significant burden for equipment lessors as each master lease typically covers hundreds or even thousands of individual assets that will each need to be evaluated and measured separately. Assets covered under a single master lease agreement could therefore be treated differently (e.g. as Type A or Type B leases)

⁷ BC 358 in FASB proposed guidance

in the financial statements or move between the Type A and Type B modes over their lives, depending on individual asset fair values and specific lease terms related to the individual asset. The resulting mix of lease types will create an unintelligible mix of finance-type revenue and rental revenue. We note that this result is not consistent with the economics of the equipment leasing business where lessors typically focus on managing the leased assets over their entire useful lives. We recommend that lease accounting continue to be performed at the contract level as this treatment will significantly reduce complexity and facilitate the decision usefulness of the reported financial information related to this type of leasing activity.

- Disclosure of roll forwards of lease balances is not necessary: We acknowledge the Boards efforts to increase transparency through incremental disclosures. However, we have significant concerns related to the requirements for lessees to include a roll forward of the lease liability for both Type A and Type B leases⁸ and lessors to include a roll forward of the lease receivable for Type A leases⁹ and for the residual asset¹⁰. Both Boards have Disclosure projects to provide a more comprehensive view of meaningful disclosures by the preparers to financial statement users. We believe that the Boards should allow more flexibility in providing informative disclosures that may be alternatives to the detailed roll-forwards. For example, credit quality disclosures require significant changes in receivables, but do not force compliance with a reconciliation of beginning and ending balances. We note that detailed roll forwards are generally not required for other types of assets or liabilities (e.g. receivables/ loans, long-term debt) given complexity of data and preparers are generally able to provide alternative, informative disclosures. We believe that the effort involved in capturing the very detailed information required by the proposed disclosures of these roll forwards will far outweigh any benefit to financial statement users, especially for entities involved in significant leasing activities both as lessor and lessee.
- A long transition period is necessary to properly implement the proposed guidance: The Boards have acknowledged that implementation of the proposed guidance will require significant time and effort to develop and implement systems, processes and internal controls. However, the proposed guidance will be very difficult to operationalize and the costs of maintaining the models will be significant. Moreover, transition issues are further exacerbated for entities engaged in significant leasing activities as such entities will need to evaluate and continuously monitor a considerable volume of individual leases and leased assets. Accordingly, it may be necessary to address any proposed accounting and reporting deficiencies with manually-intensive processes, utilizing simple databases or spreadsheet tools, to augment existing accounting systems. By increasing the usage of manual processes and spreadsheets to support accounting, the control environment will be stressed. This type of stress on accounting operations and systems makes it difficult to meet our financial accounting and reporting requirements.

To facilitate comparability between periods and SEC reporting requirements, public companies will need to provide required financial information and disclosures for a five year period. Companies in regulated industries, like financial institutions, will need adequate time to assess the impacts of the proposed guidance on their regulatory performance metrics, such as capital and leverage ratios. Companies will also need to evaluate and cope with the impact of the proposed guidance on non-lease contracts, such as debt covenants, and implement any necessary changes to those arrangements. Given the operational significance of the proposed guidance and its impact on historical disclosures and existing business arrangements coupled with the prevalence of leasing, we recommend a transition

⁸ Proposed ASC 842-20-50-4

⁹ Proposed ASC 842-30-50-7

¹⁰ Proposed ASC 842-30-50-8

period of at least five years.

- Allocation of lease costs between contract components: In the proposed guidance¹¹, rental payments that include non-lease components (i.e. property taxes, insurance, common area maintenance) must be allocated based on observable market prices if the contract does not indicate specific pricing for such items. Often, our real estate leases do not contain separate pricing for service components and operating costs as we pay a single rent amount. Due to the large number of leases, obtaining specific pricing for each of these non-lease components from the lessor or collecting observable market pricing on a lease by lease basis will create significant operational effort and costs that will outweigh any benefit. To mitigate this cost and effort, we recommend that the proposed guidance allow for allocations based on a standard or average rate using industry or internal estimates of such charges.
- Lease Incentives: In the proposed guidance¹², lease incentive payments, such as tenant improvement allowances not yet received, would be estimated and included in the measurement of the right of use asset and lease liability. Since timing of payment is sometimes difficult to predict as it is based on the completion of project work and related invoicing, we are concerned that lessees would be required to re-measure the right of use asset and lease liability when actual timing of payments received are different than what was originally estimated. To reduce the number of potential re-measurements and the associated operational burden, we recommend either of the following:
 - Treat incentive payments received and receivable similar to an initial direct cost and offset against the initial right of use asset on a gross basis; or
 - Allow for a write-off of the remaining liability balance due to incentive payment timing differences at the end of the lease or at the time of a subsequent lease term reassessment.
- Lease term - lessors: In the proposed guidance¹³, the lease term for the lessor should include renewal options where the lessee has a significant economic incentive to exercise. However, the lessor is unlikely to have lessee information to reasonably and consistently make such a determination (i.e. lessor will be required to exercise significant judgment and subjectivity in the determination of the lease term). Therefore, we recommend limiting the lessor's lease term to the initial contract term adjusted for periods where the lessor has provided a bargain purchase or renewal option to the lessee.
- Short-term leases: We have the following comments on short term leases:
 - Definition of short term: We encourage the Boards to provide a scope exception for leases with a remaining term of 24 months or less. Given the limited time period of these leases, the income statement recognition under the proposed guidance would not be significantly different when compared to the cash recognition under the lease terms. Excluding these leases from this complex accounting in the proposed guidance would still capture the material amounts for the longer term leases, while providing operational and practical efficiencies to preparers. We believe that additional quantitative or qualitative disclosures for these shorter term leases could provide adequate information to users of financial statements.
 - Capitalization thresholds: The Boards have suggested that entities can apply capitalization and materiality thresholds to scope out leases from the proposed guidance. In reality, these accounting materiality thresholds are not practical as auditors require aggregation and tracking of the resulting differences to assess the materiality of the decision to apply accounting that is not in

¹¹ Proposed ASC 842-10-55-43 through 47

¹² Proposed ASC 842-20-30-3a

¹³ Proposed ASC 842-30-30-2

strict accordance with GAAP. Additionally, it is unusual to apply such thresholds to liabilities, so it is unclear how lease liabilities could be addressed. We ask the Boards to more specific and practical scope exceptions so that leases that are clearly immaterial to an entity's business activities are not included in this complex proposed guidance.

- Temporary foreclosed property: In addition to the above, we may become a temporary lessor as a result of a foreclosure on collateral subject to a lease. There are regulatory restrictions that limit a financial institution from owning and operating this collateral and we have no on-going expectation of retaining these properties. As such, we generally do not hold these assets longer than 12 months. If the Boards proceed with the proposed guidance, we recommend that a specific scope exception be provided to exclude leases that are expected to be retained for a short period of time.

Conclusion

We support the efforts by the Boards to improve the transparency of obligations of lessees under leasing arrangements and support the effort to develop a comprehensive framework to provide additional consistency and comparability over the accounting for leases. We are not convinced, however, that the current accounting model for leases requires the significant changes that the Boards are proposing. The leases project is a major overhaul of the rules where it appears that at best only targeted improvements are needed. Current lease accounting is consistent with the U.S. legal and tax regimes but the major overhaul inherent in the proposed guidance breaks that alignment. Since leasing is so pervasive in the U.S. economy, with virtually all companies participating in lease transactions for either equipment or real estate, the break in alignment may cause significant unintended consequences.

The proposed changes will be widespread and will not be beneficial to either users or preparers, especially due to the dramatic increase in complexity brought about by the significant and highly judgmental assumptions that will be required to implement the proposed guidance. Given the magnitude of the proposed changes and the significant operational challenges that will be necessary, we do not agree with the Boards' stated view that "objective measurement of neither the costs to implement new requirements nor quantification of the value of improved information in financial statements is possible¹⁴" and we strongly urge that the Boards undertake the necessary task of quantifying these attributes. Given lack of consensus among both preparers and users, we think it is better to continue with the existing guidance until an accounting framework is developed that more appropriately reflects the economic substance of the leasing arrangements as well as the business model of both lessees and lessors.

Lastly, we encourage the FASB to retain leveraged lease accounting as leveraged lease transactions are unique to the U.S. marketplace and well-understood by market participants, retention of the model will maintain convergence with the IASB proposal, the existing accounting model provides the most accurate reflection of the economics of the lessor, and leveraged lease accounting is consistent with other accounting models under consideration by the FASB. We encourage the Boards to consider our concerns and recommendations in this letter.

¹⁴ BC 323 in FASB proposed guidance

September 10, 2013
Page 10

We appreciate the opportunity to comment on the issues contained in the Boards' invitation. If you have any questions, please contact me at (415) 222-3119.

Sincerely,

/s/ Richard D. Levy

Richard D. Levy
Executive Vice President & Controller

cc: Kathy Murphy - Office of the Comptroller of the Currency
Robert Storch - Federal Deposit Insurance Corporation
Steven Merriett - Federal Reserve Board
Donna Fisher - American Bankers Association
David Wagner - The Clearing House Association