Grant Thornton

1610-100

LETTER OF COMMENT NO. 13

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Technical Director
Financial Accounting Standards Board
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Re: File Reference 1610-100

Grant Thornton LLP appreciates the opportunity to comment on the Financial Accounting Standards Board (the Board) Exposure Draft of the Proposed Statement of Financial Accounting Standards, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140*. We support the Board's effort to improve accounting for transfers of financial assets along with the effort to improve accounting for consolidation of variable interest entities in the Exposure Draft of the proposed Statement to amend FASB Interpretation 46(revised December 2003), *Consolidation of Variable Interest Entities*.

Our comments are organized to correspond with the Board's request for comments included within the "Notice for Recipients of This Exposure Draft." Paragraph numbers refer to existing or proposed paragraphs in Statement 140.

Question 1

We believe that the proposed Statement would meet the Board's intention to provide a short-term solution to address shortcomings in Statement 140 until a converged standard on derecognition and consolidation can be developed with the International Accounting Standards Board (IASB).

Question 2

We agree with the Board's decision to eliminate the concept of a qualifying SPE and require that entities involved in securitization transactions be evaluated for consolidation under applicable U.S. generally accepted accounting principles. We believe that the best way to deal with issues associated with variable interest entities is in guidance that addresses issues of consolidation for all variable interest entities, regardless of whether variable interest entities are designed to hold financial assets subject to securitization transactions or are designed for other purposes.

Question 3

We agree with the Board's decision to continue to permit derecognition of financial assets when transferors have continuing involvement with the assets. We believe that an accounting model that would preclude sale accounting if a transferor had any form of continuing involvement would not provide information that would faithfully represent the underlying economic event in all cases. We believe such information would be of limited usefulness to financial statement users.

Question 4

We are not in a position to comment on costs that preparers would incur in implementing the proposed Statement.

Question 5

We agree with the principle underlying the changes proposed relative to reporting a transfer of a portion of a financial asset as a sale. However, we recommend that the Board consider using the definition of part of a financial asset in International Accounting Standard 39, *Financial Instruments: Recognition and Measurement*. Although the derecognition model under IAS 39 differs from the model in U.S. generally accepted accounting principles in many ways, use of the definition in IAS 39 would provide some measure of convergence as to the initial filter in any derecognition model while still meeting the Board's objective to (a) improve comparability in reporting similar transactions, (b) reduce the opportunity for form-over-substance structures, and (c) resolve concerns that a transferor has retained control over derecognized portions of financial assets. We recognize that the two Boards will seek to issue a converged derecognition standard in the future but some measure of convergence could be achieved in the near term by using similar definitions in standards on derecognition.

Question 6

We agree with the Board's decision to explicitly make the consideration of effective control in proposed paragraph 9(c) a principle rather than a list of rules that resulted in a check-the-box model for derecognition accounting. However, we recommend that the Board reconsider the existing guidance in paragraph 30 of Statement 140 on a transferor's right of first refusal on the occurrence of a bona fide offer to the transferee. That guidance would be retained as an example in proposed paragraph 54C. We believe that such a provision would likely constrain the transferee in many circumstances as it would create a disincentive to third parties to undertake the effort to make a bona fide offer for the financial assets.

We also suggest that the Board consider clarifying the relationship between the notion of effective control over a financial asset in proposed paragraph 9(c) and the notion of a controlling financial interest in a variable interest entity under the proposed Statement to amend Interpretation 46(R). We are concerned that differences between effective control over an asset and a controlling financial interest in an entity could provide a structuring opportunity to account for similar economic events differently depending on whether the transaction involves the asset itself or an entity created to hold the asset.

Question 7

We believe additional disclosures for transferred financial assets are necessary and operational. The proposed revisions to the disclosure requirements for transferred assets are sufficient to meet the needs of financial statement users. However, our comment on threshold for aggregation of disclosures in our letter dated October 15, 2008 on the proposed FASB Staff Position FAS 140-e and FIN 46(R)-e, "Disclosures about Transfers of Financial Assets and Interests in Variable Interest Entities," also applies to guidance proposed Statement to amend Statement 140.

Question 8

We were unable in the time permitted to perform a comprehensive review of the changes made to related literature; however, our limited review did not identify any areas that we believe would be inconsistent with the proposed amendments to Statement 140.

Question 9

If the proposed statement is issued with a sufficient period of time before required adoption (for instance at least nine months), we do not believe that there should be differences in any application of the proposed amendments to Statement 140 for private companies.

We appreciate the opportunity to comment on the Exposure Draft and would be pleased to discuss our comments with Board members or the FASB staff. If you have any questions, please contact Mark Scoles, Partner, Accounting Principles Consulting Group, at 312 602 8780.

Very truly yours,

/s/ Grant Thornton LLP