

Please note that the comments expressed herein are solely my personal views

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- **File Reference No. EITF-12G**
- **Consolidation (Topic 810)**
- **Accounting for the difference between the Fair Value of the Assets and the Fair Value of the Liabilities of a Consolidated Financing Entity**

Dear Sir.

Thank you for giving us the opportunity to comment on your Proposed Accounting Standards Update: Consolidation (Topic 810); Accounting for the difference between the Fair Value of the Assets and the Fair Value of the Liabilities of a Consolidated Financing Entity.

#### Proposal

The amendments in this proposed Update would require a reporting entity that measures the financial assets and financial liabilities of a collateralized financing entity<sup>1</sup> at fair value to determine the fair value of the collateralized financing entity's financial assets and financial liabilities consistently with how market participants would price the reporting entity's net risk exposure at the measurement date. The reporting entity would be required to allocate the fair value of the portfolio to the individual financial assets or financial liabilities on a reasonable and consistent basis using a methodology appropriate in the circumstances in accordance with paragraph 820-10-35-18F.

I support this proposed Update, which will resolve diversity in practice in the accounting by a reporting entity for the difference<sup>2</sup> between the fair value of the financial assets and the fair value of the financial liabilities of a consolidated collateralized financing entity.

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<sup>1</sup> A collateralized financing entity is a variable interest entity that holds debt instruments and issues beneficial interests in those financial assets.

<sup>2</sup> Differences e.g. due to different durations or liquidity discounts applied to assets and liabilities.

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### **Answers to other specific questions raised by the FASB**

**Question 1:** Do you agree that a reporting entity should measure the fair value of a collateralized financing entity's financial assets and financial liabilities consistently with how market participants would price the reporting entity's net risk exposure (that is, how a market participant measures the retained beneficial interest held by the reporting entity) at the measurement date?

*Yes, this is reasonable as it would resolve diversity in practice, and would provide more comparable and more meaningful information to users of financial statements.*

**Question 2:** Do you agree that the scope of the amendments in this proposed Update should apply to all entities that are required to consolidate a collateralized financing entity, as defined, and are required to or have elected, under Topic 825, to measure all eligible financial assets and financial liabilities of the collateralized financing entity at fair value?

*Yes. This is appropriate as this where the primary diversity in practice exists.*

Yours faithfully

C.R.B.

Chris Barnard