First Data Corporation is a leading provider of electronic commerce and payment solutions for merchants, financial institutions, and card issuers worldwide. First Data's portfolio of services and solutions includes credit, debit, private-label, smart and stored-value card issuing and merchant transaction processing services; fraud protection and authentication solutions; check guarantee and verification services; as well as internet commerce. First Data is a lessee of certain of its facilities and equipment and is a lessor of point-of-sale devices and ATMs. Additionally, First Data uses the financial statements of other entities for various purposes.

We support the Board’s efforts to develop a common leasing standard for U.S. GAAP and IFRS; however, we believe that several requirements of the Proposal need further consideration. Our concerns are included below in our responses to several of the Board’s questions.

**Question 1: Lessees**

(a) Do you agree that a lessee should recognize a right-of-use asset and a liability to make lease payments? Why or why not? If not, what alternative model would you propose and why?

(b) Do you agree that a lessee should recognize amortization of the right-of-use asset and interest on the liability to make lease payments? Why or why not? If not, what alternative model would you propose and why?

**Question 1 Response:**

While we believe that the proposed recognition model may be appropriate for some leases, we do not believe that it reflects the substance of all leases. In particular, we do not believe that every lease contains a financing element. If a lease transfers the substantial majority of the risks and benefits of the underlying assets to the lessee, we believe that the transaction is similar in substance to a financed purchase of the underlying asset. For those leases, we believe that the proposed model of recognition is acceptable.
When a lease does not transfer the substantial majority of the risks and benefits, we do not believe that a financing element is present. We disagree with the notion that the lessee has financed its purchase of a right-of-use. Unless the timing of payments indicates a material financing element (e.g. payments that lag significantly behind the pattern of use), the lessee is simply paying for its right to use the underlying asset as it uses it. The front-loaded expense that results from the proposed recognition model does not reflect the pattern of use of this asset. We believe that the expense recognition pattern for these types of leases should remain unchanged from the existing guidance for operating leases. One possible alternative is to record the right-of-use asset and liability in amounts equal to the undiscounted estimated lease payments. The asset could then be amortized in a pattern that matches the lessee’s use of the underlying asset and payments would simply be applied against the liability.

A lessee could apply the framework proposed for lessors to determine whether a lease transfers the substantial majority of the risks and benefits to the lessee.

**Question 2: Lessors**

(a) Do you agree that a lessor should apply (i) the performance obligation approach if the lessor retains exposure to significant risks or benefits associated with the underlying asset during or after the expected lease term and (ii) the derecognition approach otherwise? Why or why not? If not, what alternative approach would you propose and why?

(b) Do you agree with the boards’ proposals for the recognition of assets, liabilities, income and expenses for the performance obligation and derecognition approaches to lessor accounting? Why or why not? If not, what alternative model would you propose and why?

(c) Do you agree that there should be no separate approach for lessors with leveraged leases, as is currently provided for under US GAAP (paragraph BC15)? If not, why not? What approach should be applied to those leases and why?

**Question 2 Response:**

(a) We agree.

(b) Similar to our views on Question 1(b), we do not believe a lease that in which the lessor retains exposure to significant risks and benefits associated with the underlying asset contains a financing element. As such, we believe that assets and liabilities recognized under the performance obligation approach should be recorded at undiscounted amounts.

(c) No response.

Also, we do not believe that a change to the existing accounting for the residual under the derecognition approach is necessary. Under this approach, the residual, by definition, cannot represent a significant component of the arrangement. As such, any potential benefits of this proposal will not likely exceed the benefits of implementing this additional change to the accounting model.
**Question 3: Short-term leases**

This exposure draft proposes that a lessee or a lessor may apply the following simplified requirements to short-term leases, defined in Appendix A as leases for which the maximum possible lease term, including options to renew or extend, is 12 months or less:

(a) At the date of inception of a lease, a lessee that has a short-term lease may elect on a lease-by-lease basis to measure, both at initial measurement and subsequently, (i) the liability to make lease payments at the undiscounted amount of the lease payments and (ii) the right-of-use asset at the undiscounted amount of lease payments plus initial direct costs. Such lessees would recognize lease payments in the income statement over the lease term (paragraph 64).

(b) At the date of inception of a lease, a lessor that has a short-term lease may elect on a lease-by-lease basis not to recognize assets and liabilities arising from a short-term lease in the statement of financial position, nor derecognize any portion of the underlying asset. Such lessors would continue to recognize the underlying asset in accordance with other Topics and would recognize lease payments in the income statement over the lease term (paragraph 65).

(See also paragraphs BC41−BC46.)

Do you agree that a lessee or a lessor should account for short-term leases in this way? Why or why not? If not, what alternative approach would you propose and why?

**Question 3 Response:**

(a) We believe that the lessee model should be consistent with the lessor model such that the lessee should be able to elect to not recognize the assets and liabilities arising from short-term leases.

(b) We agree with the model proposed for lessors.

**Question 6: Contracts that contain service components and lease components**

This exposure draft proposes that lessees and lessors should apply the guidance in proposed Accounting Standards Update, Revenue Recognition (Topic 605): Revenue from Contracts with Customers, to a distinct service component of a contract that contains service components and lease components (paragraphs 6, B5−B8 and BC47−BC54). If the service component in a contract that contains service components and lease components is not distinct:

(a) The FASB proposes the lessee and lessor should apply the lease accounting requirements to the combined contract.

(b) The IASB proposes that:
   (i) a lessee should apply the lease accounting requirements to the combined contract.
(ii) a lessor that applies the performance obligation approach should apply the lease accounting requirements to the combined contract.
(iii) a lessor that applies the derecognition approach should account for the lease component in accordance with the lease requirements, and the service component in accordance with the guidance in the exposure draft on revenue from contracts with customers.

Do you agree with either approach to accounting for leases that contain service and lease components? Why or why not? If not, how would you account for contracts that contain both service and lease components and why?

**Question 6 Response:**

We prefer the model proposed by the FASB. We believe that it would be inappropriate to account for the components separately if the service component is not distinct. We believe that this would be inconsistent with the principles in the proposed Revenue Recognition Update for separating performance obligations.

**Question 8: Lease term**

Do you agree that a lessee or a lessor should determine the lease term as the longest possible term that is more likely than not to occur taking into account the effect of any options to extend or terminate the lease? Why or why not? If not, how do you propose that a lessee or a lessor should determine the lease term and why?

**Question 8 Response:**

We believe that the proposed definition of the lease term will result in assets and liabilities that are not consistent with the definitions of assets and liabilities in Concept Statement 6. Assets are probable future economic benefits and liabilities are probable future sacrifices of economic benefits. By including periods that are more likely than not to occur but less than probable of occurring, we believe that the assets and liabilities recognized under this standard would be overstated. We believe lease term used in these measurements should reflect the longest term that is “probable” of occurring. This will result in financial statements with more reliable measurements and reduce the need for subsequent measurements.

**Question 9: Lease payments**

Do you agree that contingent rentals and expected payments under term option penalties and residual value guarantees that are specified in the lease should be included in the measurement of assets and liabilities arising from a lease using an expected outcome technique? Why or why not? If not, how do you propose that a lessee or a lessor should account for contingent rentals and expected payments under term option penalties and residual value guarantees and why?
Do you agree that lessors should only include contingent rentals and expected payments under term option penalties and residual value guarantees in the measurement of the right to receive lease payments if they can be reliably measured? Why or why not?

Question 9 Response:

Consistent with our views on Question 8, we believe that only payments that are considered probable and can be reasonably estimated should be included in the measurement of assets and liabilities. Additionally, we do not agree with the proposed requirement to use an expected outcome or probability-weighted technique. We believe that this could be overly complex requirement for most transactions and could be replaced by “best estimate”. A company should be able to choose the technique that it believes will provide the best estimate of the expected lease payments. A company could decide that probability-weighting is the best technique but should not be required to do so.

Question 10: Reassessment

Do you agree that lessees and lessors should remeasure assets and liabilities arising under a lease when changes in facts or circumstances indicate that there is a significant change in the liability to make lease payments or in the right to receive lease payments arising from changes in the lease term or contingent payments (including expected payments under term option penalties and residual value guarantees) since the previous reporting period? Why or why not? If not, what other basis would you propose for reassessment and why?

Question 10 Response:

While we conceptually agree with the concept that significant changes should result in adjustment in the recorded amounts, we believe that the burden for reassessments could be significantly reduced if the “probable” threshold is used for determining the lease term and for estimating lease payments.

Question 12: Statement of financial position

(a) Do you agree that a lessee should present liabilities to make lease payments separately from other financial liabilities and should present right-of-use assets as if they were tangible assets within property, plant and equipment, but separately from assets that the lessee does not lease (paragraphs 25 and BC143–BC145)? Why or why not? If not, do you think that a lessee should disclose this information in the notes instead? What alternative presentation do you propose and why?

(b) Do you agree that a lessor applying the performance obligation approach should present underlying assets, rights to receive lease payments and lease liabilities gross in the statement of financial position, totaling to a net lease asset or lease liability (paragraphs 42, BC148 and BC149)? Why or why not? If not, do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?

(c) Do you agree that a lessor applying the derecognition approach should present rights to receive lease payments separately from other financial assets and
should present residual assets separately within property, plant and equipment (paragraphs 60, BC154 and BC155)? Why or why not? Do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?

(d) Do you agree that lessors should distinguish assets and liabilities that arise under a sublease in the statement of financial position (paragraphs 43, 60, BC150 and BC156)? Why or why not? If not, do you think that an intermediate lessor should disclose this information in the notes instead?

Question 12 Response:

With respect to whether the above information should be presented in the financial statements or in the notes instead, we believe that entities should be allowed to present the information in the notes. Providing this information in the financial statements will result in overcrowded statements. Financial statements are not intended to be read without the supporting notes disclosure; statements on the face of each statement referencing the accompanying notes sufficiently inform all users of that fact. Decision usefulness has traditionally been and should continue to be considered with respect to the entire financial statement package, inclusive of note disclosure.

Additionally, under the performance obligation approach, we do not agree that the underlying asset should be included in a net asset or liability with the rights to receive lease payments and lease liabilities. Since this accounting model is based on the premise that the lessor has retained significant risks and benefits associated with the underlying asset, we believe that the asset should be presented separately from receivables and performance obligations.

**Question 13: Income statement**

Do you think that lessees and lessors should present lease income and lease expense separately from other income and expense in the income statement (paragraphs 26, 44, 61, 62, BC146, BC151, BC152, BC157 and BC158)? Why or why not? If not, do you think that a lessee should disclose that information in the notes instead? Why or why not?

Question 13:

We believe that entities should be allowed to present this information in the notes.

Additionally, we do not believe that lease income under the performance obligation approach should be presented net of the depreciation on the underlying asset. This results in an understatement of revenue for entities for which leasing is an ongoing, major or central activity. This presentation would not reflect the nature of such an entity's business. We believe that depreciation should be presented consistently with depreciation with other assets that are used to generate revenues (i.e. as an expense rather than contra-revenue).

**Question 14: Statement of cash flows**

Do you think that cash flows arising from leases should be presented in the statement of cash flows separately from other cash flows (paragraphs 27, 45, 63, BC147, BC153 and
Why or why not? If not, do you think that a lessee or a lessor should disclose this information in the notes instead? Why or why not?

Question 14 Response:

We believe that entities should be allowed to present this information in the notes. Additionally, consistent with our responses to Question 1, we do not believe that all leases contain a financing component. As such, we believe that it is inappropriate for lessees to present all payments for leases as financing cash flows. Unless the substance of the lease is similar to a financed purchase of the underlying assets, we believe that these cash flows are best presented as operating activities. For leases that are similar to financed purchases, we believe that the cash flow presentation should be consistent with other debt payments such that payment of interest is classified as an operating activity.

Question 15

Do you agree that lessees and lessors should disclose quantitative and qualitative information that:

(a) identifies and explains the amounts recognized in the financial statements arising from leases; and

(b) describes how leases may affect the amount, timing and uncertainty of the entity’s future cash flows?

(paragraphs 70–86 and BC168–BC183)? Why or why not? If not, how would you amend the objectives and why?

Question 15 Response:

We agree with the principles of paragraph 70; however, we believe that the specific requirements of the Proposal may be burdensome and of limited value to users. The requirements of paragraphs 73, 78 and 83 may not be practical for entities with thousands of leases. While such disclosures may be appropriate for individually material leases, we believe a description of an entity’s accounting policies with respect to accounting for leases should be sufficient. Additionally, we do not believe the reconciliation requirements of paragraphs 77 and 80 are useful or practical unless there are individual leases that are material in comparison to other assets and liabilities presented on the balance sheet.

Question 16

(a) This exposure draft proposes that lessees and lessors should recognize and measure all outstanding leases as of the date of initial application using a simplified retrospective approach (paragraphs 88–96 and BC186–BC199). Are these proposals appropriate? Why or why not? If not, what transitional requirements do you propose and why?
(b) Do you think full retrospective application of lease accounting requirements should be permitted? Why or why not?

(c) Are there any additional transitional issues the boards need to consider? If yes, which ones and why?

Question 16 Response: While we believe that comparability among periods presented is important, we do not believe it is practical to apply the proposed guidance retrospectively. This is due to the significant amount of judgment by management to properly record revenue at the time transactions occur. To retrospectively apply this guidance with knowledge of actual results (e.g. changes in estimated transaction price, etc.) would not result in objective financial statements and they may be inconsistent with periods subsequent to adoption where management judgment and estimates will have an impact on results. We believe that the Board should give additional consideration to developing a practical transition method that preserves trend information and reflects management’s judgment. There are two alternatives that we believe the Board should consider.

1) Adopt the guidance retrospectively with sufficient lead time to allow companies to prepare for the changes as well as to accumulate enough years of comparable financial statements before they are required to be presented. However, the Board should be aware that this approach would require entities to keep multiple sets of books for several years.

2) Adopt the guidance prospectively but require footnote disclosures of the impact in the first year of adoption. This provides some comparability and may also reduce the maintenance of multiple books.

Question 17

Paragraphs BC200–BC205 set out the boards’ assessment of the costs and benefits of the proposed requirements. Do you agree with the boards’ assessment that the benefits of the proposals would outweigh the costs? Why or why not?

Question 17 Response:

While we do not have an estimate of the costs for implementing the proposed changes, we believe these costs could be significant. They may include the following:

- Updates to or replacement of existing software used to support lease accounting
- Increases to headcount either temporarily or on a permanent basis to implement the proposed accounting and to apply it on a continuous basis
- Re-education of accounting personnel, decision makers, and other internal and external users of our financial information

We believe that the following changes to the proposed guidance could simplify and reduce the costs of applying this guidance while retaining the key principles. These are consistent with our responses to the above questions:
• Eliminate the accounting for a financing element on leases that do not transfer the substantial majority of the risks and benefits associated with the underlying asset.
• Base initial measurements of the assets and liabilities on terms and payments that are considered probable. Allow management to use “best estimates” rather than probability-weighted measurements. These steps will result in more reliable measurements, simplify the initial accounting and reduce the number of subsequent adjustments.
• Do not change the existing guidance for accounting for residuals for leases accounted for under the derecognition approach. These should be a minor component of the arrangement thus it is unlikely that any benefits of a change would exceed the costs.

Question 19

Should any of the proposed guidance be different for non-public entities (private companies and not-for-profit organizations)? If so, which requirement(s) and why?

Question 19 Response.

We believe that there should be one set of accounting standards applicable to both public and nonpublic entities. The application of these standards should be practical for all entities. Additionally, comparability is important and an entity’s source of capital should have no impact on the accounting standards that it follows or upon the timing of adoption.

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We appreciate the opportunity to share our views and recommendations with the Board regarding the proposed Accounting Standard Update. If you have any questions regarding the contents of this letter please contact Jeff Billat at 303.967.8339 or Rick Seidlitz at 303.967.7387 at your convenience.

Sincerely,

Jeff Billat     Rick Seidlitz
VP Global Financial Reporting/     Director
Accounting Policy and Standards     Accounting Policy and Standards