May 14, 2013

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116


Dear Sir/Madam:

Marriott International, Inc. ("Marriott") is a worldwide hospitality company with operations in four business segments: North American Full-Service Lodging; North American Limited-Service Lodging; International Lodging; and Luxury Lodging. At the end of our 2013 first quarter, our system included 3,822 properties (663,163 rooms), and we had financial assets with a carrying value of approximately $1,700 million and financial liabilities of $4,200 million. Our financial assets primarily consisted of accounts receivable of $1,026 million and notes receivable of $223 million. Our financial liabilities primarily consisted of recourse long-term debt (primarily Senior Notes) of $2,012 million, commercial paper of $1,238 million, and accounts payable of $517 million.

We appreciate the opportunity to comment on the Proposed Accounting Standards Update—Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities ("the Proposal"). We support the Financial Accounting Standard Board’s effort to provide financial statement users with more decision-useful information about an entity’s involvement in financial instruments, while reducing the complexity in accounting for those instruments. However, we have conceptual concerns about several of the principles included in the Proposal.

As we stated in our September 21, 2010 comment letter, we continue to believe the Proposal provides investors with more useful, transparent and relevant information about an entity’s exposure to financial instruments so long as the entity is a financial institution. However, companies such as Marriott, that operate in commercial industries (i.e. non-financial institutions), use financial instruments very differently from financial institutions and the Proposal does not reflect this distinction. In the recently issued Proposed Accounting Standards Update – Financial Instruments (Topic 825): Disclosures About Liquidity Risk and Interest Rate Risk, you define a financial institution as an entity “for which the primary business activity is to do either of the following: (a) earn, as a primary source of income, the difference between interest income generated by earning assets and interest paid on borrowed funds; or (b) provide insurance.” In addition to these characteristics, we would propose adding buying and selling financial instruments in the ordinary course of business to the definition of a financial institution.
for purposes of providing two distinct financial reporting models for financial institutions and non-financial institutions in the Proposal.

Commercial companies such as Marriott typically deploy financial assets and liabilities in connection with their ongoing operations and hold for them for the long-term; they do not acquire them specifically with the intent of benefiting from changes in fair value in the short-term or long-term, nor do they benefit from interest income generated by earning assets as their primary source of income. For example, Marriott sometimes makes loans to owners of hotels that we operate or franchise, typically to facilitate the development of a hotel and sometimes to facilitate brand programs or initiatives. We expect the owners to repay the loans in accordance with the loan agreements, or earlier as hotels mature and capital markets permit. We do not buy and sell these loans in the normal course of business and although we earn interest income from these loans, this is not our primary source of income. Applying the financial reporting model laid out in the Proposal to a commercial company’s financial instruments such as ours would create unintended volatility in earnings and would, therefore, result in the distortion of the commercial company’s core operating performance. It would also minimize comparability between commercial companies that may interpret some of the qualitative aspects of the guidance in different ways, which would be inconsistent with the Proposal’s objective of providing useful and relevant information to investors.

We continue to support a separate financial reporting model for financial instruments held by non-financial institutions that would be more consistent with the business model criterion currently in the Proposal. In our view, financial instruments should only be recorded at fair value when management’s intent is to transfer and/or sell the financial instrument. We believe that non-financial institutions should record financial instruments held for collection or payment of cash flows in accordance with that instrument’s contract at amortized cost, with disclosure of their fair values in the financial statement footnotes. Disclosure of their fair values on the face of the balance sheet would not provide decision-useful information, as these companies do not regularly transfer and/or sell their financial instruments at their disclosed fair values. In addition, adding this information to an already detailed statement of financial position would further clutter this financial statement’s presentation. If investors want to know the fair value of these financial instruments, this information is readily available in the financial statement footnotes.

We also believe the Proposal’s contractual cash flows criterion are not clear and may result in inconsistent application if left open to interpretation. In order for a financial instrument to meet the contractual cash flows criterion, as defined in the Proposal, the contractual terms of the financial asset have to give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. It is not clear whether specified dates are fixed dates, with principal and interest due on those dates, or whether certain milestones, i.e. the sale of underlying collateral, qualify as specified dates under the definition. Further, it also is not clear whether payments that depend on the cash flows of the underlying collateral meet the solely principal and interest definition. Additional clarity in the definition of the contractual cash flows criterion as well as enhanced implementation guidance would help answer these questions. Illustrative examples such as “inverse floaters” are more relevant to a financial institution and would not help a commercial company interpret the criterion.
The remainder of our comments respond to the FASB’s questions in the Proposal that focus on our specific concerns.

**Question 5** – The proposed amendments define principal as the amount transferred by the holder at initial recognition. Should the definition of principal be expanded to include repayment of the principal amount at maturity or other settlement? If so, what instruments would fail (or pass) the contractual cash flow characteristics criterion as a result of this change?

Yes, we believe the definition of principal should be expanded to include repayment of the principal amount at maturity or other settlement. Many of our notes receivable do not have fixed principal payment schedules (though they do have specified repayment and maturity dates), and therefore, it is not clear under the Proposal whether they would pass the contractual cash flows characteristics criterion. If the proposed amendments expanded the definition of principal, then our notes receivable would more definitively satisfy the contractual cash flow characteristics criterion as under our notes receivable we are ultimately repaid our principal and interest at maturity. We also believe that non-financial institutions that lend or extend credit and are entitled to repayment of principal and interest should be able to account for financial instruments using amortized cost, as this is consistent with the business model for such companies.

**Question 6** – Do the proposed amendments contain sufficient application guidance and illustrations on implementing the cash flow characteristics assessment? If not, why?

No, we do not believe the proposed amendments contain sufficient application guidance and illustrations on implementing the cash flow characteristics assessment. We believe the application guidance and illustrations presented, i.e. the inverse floater example, are relevant to financial institutions, but not to companies in commercial industries, such as Marriott. Illustrations should include less complex financial assets that would pass or fail the contractual cash flows criterion, such as notes receivable with cash flows dependent on the underlying collateral’s cash flows or notes receivable without fixed principal payment dates as these are more relevant to commercial companies. If the Proposal is implemented in its current form without enhanced application guidance, we believe there will be considerable diversity in practice as companies will likely develop different interpretations.

**Question 23** – The proposed amendments would require public entities to parenthetically present fair value for items measured at amortized cost on the face of the statement of financial position. Does that presentation requirement provide decision-useful information? If not, why? What would you propose instead?

No, we do not believe that the parenthetical presentation of fair value on the face of the statement of financial position for items measured at amortized cost would provide decision-useful information. Unlike financial institutions, Marriott and other commercial companies do not regularly buy and sell financial instruments as part of their business models. Accordingly, presenting parenthetical fair value information on the face of the statement of financial position would clutter the statement with information that is not decision-useful to financial statement users. Instead, we propose that commercial
companies should continue to disclose the fair values of financial instruments measured at amortized cost in the financial statement footnotes, consistent with the current disclosure requirements of Accounting Standards Codification Topic 825.

**Question 35** – The proposed amendments would change the current two-step impairment model for equity method investments to a one-step impairment model for all equity method investments. Do you agree with the proposed one-step equity impairment model? If not, why? What would you propose instead?

No, we do not agree with the proposed one-step equity impairment model. Under our current business model, our equity method investments typically consist of investments in hotel real estate and there may be periodic fluctuations in the underlying value of the real estate. However, we hold our equity method investments until it is opportunistic for us to sell them, which includes selling the investments at prices that allow us to recover their carrying amounts. We believe that recording all impairments similarly, without determining whether these impairments are temporary or not, would add misleading volatility to our financial statements, given our business model of generally holding investments until prices are sufficient to recover their carrying amounts. We instead propose maintaining the current two-step model, which maintains the concept of other-than-temporary impairments, and is consistent with our intent to hold these investments to recover their carrying amounts.

Thank you for the opportunity to provide comments on the Proposal. We would be pleased to discuss our views with you at your convenience.

Sincerely,

Carl T. Berquist  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)