October 17, 2013

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

Dear Technical Director,

RE: File Reference No. EITF-12GR

The Blackstone Group ("Blackstone") is pleased to comment on the proposed Accounting Standards Update, *Consolidation (Topic 810): Measuring the Financial Liabilities of a Consolidated Collateralized Financing Entity* (the "proposed ASU").

As discussed in our comment letter dated December 10, 2012, we currently consolidate a number of collateralized financing entities ("CFEs") as a result of holding a controlling financial interest in such entities, primarily through our fee structures. On initial consolidation, we elected the fair value option for the assets and liabilities of the consolidated CFEs and attributed differences in fair values on initial recognition and in subsequent periods to non-controlling interests with a corresponding entry to Appropriated Partners’ Capital, after considering any allocations to Blackstone. While beneficial interests held by third parties in consolidated CFEs are in the form of debt and do not meet the GAAP definition of non-controlling interests, they have the same economic characteristics as traditional non-controlling interests. In discussions with the Securities and Exchange Commission and through a review of interpretive accounting guidance issued by our auditors on the application of the transition guidance in ASC 810-10 in January 2010, we understood that these non-parent interests should be treated similarly to non-controlling interests in Blackstone’s consolidated financial statements. By analogy, we have applied this methodology for CFEs consolidated subsequent to the effective date of ASC 810-10.
We believe that the FASB should continue its discussions on its November 2011 proposed Accounting Standards Update *Consolidation (Topic 810) – Principal versus Agent Analysis*. We do not believe that existing GAAP should be amended to provide a temporary solution without resolution of the bigger question of whether a reporting entity is acting in a principal or agent capacity. Applying the guidance contained in the proposed ASU results in the incurrence of significant additional costs that may not need to be incurred if the consolidation guidance referenced above is appropriately finalized. Should it be determined that a reporting entity is acting in an agent capacity, it would no longer be required to consolidate such CFEs and the discussion of the difference between the fair value of assets and liabilities is no longer relevant. If it is determined that a reporting entity is required to consolidate a CFE as a result of acting in a principal capacity, it would be appropriate to address the accounting for the difference in the fair value of assets and liabilities within the same guidance.

Overall, we do not agree with the proposals contained in the proposed ASU to calculate a fair value of liabilities based on the sum of the fair value of financial assets, the carrying value of non-financial assets less the sum of the fair value of financial assets and carrying value of non-financial assets attributable to beneficial interests owned by the reporting entity and the carrying value of beneficial interests representing compensation for services. There is existing guidance in GAAP around determining the fair value of liabilities and disclosures that provide clear and meaningful information about methodologies used to determine fair value and, if relevant, quantitative disclosures around significant unobservable inputs. The calculation in the proposed ASU is circular in nature and we do not believe that providing disclosures around the methodology for allocating the fair value of assets to liabilities results in any decision-useful information.

We would also like to draw your attention to recent proposals issued by the SEC together with five other federal agencies relating to the implementation of the credit risk retention requirements of section 15G of the Securities Exchange Act of 1934 (15. U.S.C. 78o-11), as added by section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). Under the most recent proposal, a sponsor or originator (collectively referred to as the securitizer) is required to retain an interest representing at least 5% of the credit risk of assets in a securitization vehicle. While this retention requirement may be satisfied through a menu of options, the common factor is that the 5% interest should be calculated based on the fair value of issued interests i.e. on fair value of a securitization vehicle’s liabilities with fair value “determined in accordance with U.S. generally accepted accounting principles (GAAP)”. Before removing the ability of an entity to elect the fair value option for the liabilities of a CLO under the proposed changes to ASC 825 contained in the proposed ASU, consideration must be given to other proposed rules that are based on exactly those fair values.

In summary, we believe it is in the best interests of both preparers and users of financial statements to defer final resolution of this issue until both the principal-agent guidance and the proposed regulatory framework relating to CLO vehicles is finalized. In the meantime, we will continue to apply the accounting described in the opening paragraph, specifically treating interests held by third parties similarly to non-controlling interests, consistent with View C in EITF 12-G, Issue Summary No. 1 as this most appropriately reflects the economics of Blackstone’s interests in such vehicles.
The Blackstone Group appreciates the opportunity to comment on the proposed ASU. If you have any questions concerning our comments, please do not hesitate to contact me at 212 583 5605.

Yours truly,

Kathleen Skero
Principal Accounting Officer