



909 Third Avenue  
New York, NY 10022

June 16, 2008

Mr. Russell G. Golden  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116



LETTER OF COMMENT NO. 32

**Re: Proposed FASB Staff Position No. ARB 43-a, *Amendment of the Inventory Provisions of Chapter 4 of ARB No. 43***

Dear Mr. Golden,

We appreciate the opportunity to comment on the proposed FASB Staff Position No. ARB 43-a, *Amendment of the Inventory Provisions of Chapter 4 of ARB No. 43* (the proposed FSP). In response to the request for comment, we have provided comments and suggestions that we believe will improve the proposed FSP.

We believe that fair value is the appropriate measurement attribute for all trading activities and are, therefore, broadly supportive of the guidance in the proposed FSP. We support the expansion of the scope of this project to require that all trading activities be measured at fair value; however, we would be disappointed if such additions were to cause substantial delay to the issuance of this guidance. Alternatively, we would support the addition of a separate project to the FASB's agenda that addresses this issue directly. If the FASB does add such a project to its agenda, we would urge you to complete it in a *timely manner to ensure that the most appropriate accounting model is applied to all trading activities.*

We believe there is a fundamental difference between how an entity evaluates inventory held as part of an entity's trading activities and how it evaluates inventory used for production or distribution and are supportive of the different measurement attributes being proposed based on the intent of activities of, or within, an entity. Further, we agree with the Board that it is conceptually consistent to assume that an entity can value instruments that are part of the entity's trading activities. We also believe that limiting the scope of the proposed FSP to those inventories that have a readily determinable fair value would be inconsistent with guidance in SFAS No. 157, *Fair Value Measurements*, which permits or requires instruments without readily determinable fair values to be measured at fair value, such as instruments that fall within Level 3 of the fair value hierarchy.

We believe the disclosures in the proposed FSP are appropriate, with the following exception:

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- (1) *The typical holding period for trading inventory* – It is unclear what value this provides to users of financial statements as such inventory will be measured at fair value and because this information may be particularly onerous for an entity with substantial trading inventories to maintain.

An issuance date in the third quarter of 2008 will provide adequate time for an entity to implement the changes in the proposed FSP for fiscal periods beginning after November 15, 2008. However, the transition being proposed by the Board is unnecessarily punitive for those entities that have historically measured trading inventory at the lower of cost or market as required by ARB 43. A transition that provides more consistent presentation of income earned on trading inventories between an entity that has applied ARB 43 and one that applied the AICPA Audit and Accounting Guides, *Brokers and Dealers in Securities*, and *Investment Companies*, would require that the effects of adoption of the proposed FSP be recognized through income. While this transition methodology is atypical, we believe that the diversity in practice that exists today with respect to the treatment of inventories that are part of an entity's trading activities and one's ability to reflect changes in value through earnings merits a transition methodology that will result in comparability between entities. Therefore, we recommend that the FASB allow this transition for entities that have previously applied ARB 43 to their trading inventories.

We would be pleased to discuss our views on this proposed FSP. You may contact me at 212-559-7721.

Very truly yours,

Robert Traficanti  
Vice President and Deputy Controller  
Citigroup Inc.