909 Third Avenue New York, NY 10022

January 31, 2011

Ms. Susan M. Cosper Director of Technical Application and Implementation Activities Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116

File Reference No. 1890-100

Dear Ms. Cosper:

Citigroup appreciates the opportunity to comment on the Discussion Paper, *Effective Dates and Transition Methods* (the DP). Our most significant concerns are summarized below:

- We believe that the Boards should adopt a sequential approach to implementing the proposed accounting standards. This approach would be cost effective and would ease the difficulty of implementing the new standards.
- We also recommend that the new standards be adopted prospectively where possible (see below for details). Retrospective application would lead to significant additional costs and necessary data for earlier periods reported may not be available. However, if the Boards decide to require retrospective application, we suggest that delaying the effective date and allowing more time to implement the standards would ease the data availability concerns. Alternatively, the Boards could limit the comparative financials required to just one year.
- We encourage convergence of the FASB and IASB to achieve uniform standards and implementation dates, so that a new standard would only need to be adopted once.

Our comments to the Board's specific inquiries follow:

Q1. Please describe the entity (or the individual) responding to this Discussion Paper. For example:

- a. Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.
- b. If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant metric), and whether you have securities registered on a securities exchange.
- c. If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.
- d. If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.
- e. Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).

Citigroup is primarily a preparer of financial statements in accordance with U.S. GAAP. In addition, some of our overseas legal entities must comply with IFRS for local reporting. As a global diversified financial services company, Citi is an investor and analyst through its investment bank and is also a creditor through its lending and financing activities.

- Q2. Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):
 - a. How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each the new standard?
 - b. What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

The estimated time we would need to adopt and implement these new standards would vary depending on the specific standard as follows:

- In reference to the Financial Instruments standard, we would need at least three years to adopt the standard. We would have to create, test and implement new finance, risk and reporting systems to comply with the standard's provisions. Moreover, the new impairment model would require significant changes to information systems and accumulation of new historical loss data.
- Regarding the standard on Leases, we would also need about three years to develop a global application to support all our lease transactions (more than 15,000 property leases and thousands more equipment leases), ensuring compliance with the new lease accounting requirements.
- On the other hand, we could comply with the requirements of the Other comprehensive income and Revenue recognition proposals in a relatively shorter period, since there are systems already in place that would ease the reporting process.
- While the financial statement presentation proposal has not yet been published as an exposure draft, based on the staff draft that has been posted to the FASB's website, we estimate that we would also need about three years to be able to implement the changes to the cash flow statement by gathering the required data for all periods presented, developing new systems and training personnel. However, since the financial statement presentation project is interrelated with most of the other projects (e.g., financial instruments, leases, etc.), we recommend that the financial statement presentation project be deferred until companies have adopted the other major standards.

All the time estimates above are based on the proposed standards as well as further discussions the Boards have had and decisions made on the proposed standards subsequent to the publication of the Exposure Drafts. While we understand that that the Boards are still in the process of redeliberating the standards and will make further changes before the standards become final, in providing the time estimates, we have assumed that there would not be significant additional changes to proposed standards, since further major shifts in provisions might affect the amount of time necessary to implement any of the standards. Also, additional implementation time may be needed depending on the required transition method for each final standard. Generally, retrospective application as opposed to prospective application (with a cumulative effect impact recorded upon transition) would require additional implementation time. Please see our comments regarding transition in response to questions 4 and 5.

Q3. Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

The standards would create new tax/GAAP differences. Also, many of the proposed standards would result in changes to regulatory capital unless the regulators act to allow capital to continue to be calculated under the current rules. Moreover, bank and other industry regulators will not consider whether to make any changes in the capital computations until the accounting standards have been finalized. Accordingly, sufficient time needs to be allowed for the regulators to finalize any revisions to the capital standards before the new standards become effective. Therefore, we urge the Boards to work closely with the regulators throughout the standard setting process and to consider the time regulators would need to assess the capital implications of adopting the new standards in determining the effective dates.

Q4. In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.

Financial instruments and other related standards

We disagree with the proposed retrospective transition for the financial instruments standard. We believe a prospective transition with a cumulative effect adjustment recorded in the period of adoption is the appropriate method for the financial instruments standard. Retrospective implementation at the transition date would be exceedingly burdensome. The development of new systems and models would require an enormous investment and significant time and resources to implement across the financial services industry. Providing retrospective information would involve additional cost as well as additional implementation time. We believe that, while sufficient implementation time should be given, the adoption of any standard should not be unnecessarily delayed. Prospective application would be the most cost-efficient way to adopt the standard in the shortest possible timeframe.

In addition, we believe the financial instruments standard should be grouped with other standards that impact the accounting, presentation and disclosure of financial instruments (i.e., Fair Value Measurements, Offsetting of Financial Assets and Financial Liabilities, and Financial Instruments with Characteristics of Equity). This "financial instruments group" should have the same transition method and effective date.

Leases

We disagree with the proposed "simplified" retrospective transition approach in the lease exposure draft, which is not simple and poses a significant operational burden. For example, if we were to adopt the standard on January 1, 2014, as an SEC registrant, we would be required to apply the provisions of the standard beginning January 1, 2010 to all leases that existed at that date even if they had expired or were replaced by January 2014. It would be very difficult for us to recreate the past for all leases and determine what our estimates of lease terms and contingent rentals would have been at the time assuming no knowledge of future events/decisions even when the future has actually occurred. Also, gathering data for some of the leases in order to be able to apply the standard would be a very onerous exercise, since the current accounting requirements do not require us to have the systems in place to track such data. Therefore, we strongly recommend that the Boards adopt a prospective transition approach for all existing leases at the adoption date, with a cumulative effect adjustment, if any, recorded in retained earnings at that time. While adopting the lease standard would still be a significant undertaking, doing it using a prospective transition method would ease some of that burden.

Offsetting of financial assets and financial liabilities

Although we believe the offsetting proposal should be grouped with the financial instruments project for adoption, if the Board decides to separate it, we estimate that we would be able to transition to the new requirements in approximately one year. However, we would still ask for prospective application since it is very difficult, if not impossible, to go back in time and retrieve historical cash flows. If the Board decides to require retrospective transition, we would need an additional year for each year that is required to be presented on a retrospective basis because of the cash flow tracking requirements.

Other comprehensive income and Revenue recognition

We agree with the proposed retrospective transition of Other comprehensive income and Revenue recognition standards.

Consolidation: investment companies

We agree with the proposed prospective transition of the consolidation of investment companies standard.

- Q5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:
 - a. Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).

Citigroup prefers a sequential date approach. This approach would allow orderly implementation of the standards as soon as practicable in a rational systematic way, rather than with top side adjustments and spreadsheets using the existing systems and reporting resources. While some standards should be grouped with Financial instruments standard within the sequential approach (see our response to questions 4 above and 5c. below), we do not see synergies and a reason why other standards should be adopted at the same time outside of that group of standards related to financial instruments. Rather, the requirement to adopt all standards on a single date would require all financial statement preparers to compete for the limited resources (e.g., technology, operations and finance personnel) that cannot be available to work on all projects simultaneously. From a practical perspective, the single date approach would not be efficient or effective.

b. Under a single date approach, what should the mandatory effective date be and why?

In the event that the Board decides to implement a single date approach, we suggest the effective date to be no earlier than five years from the issuance of the final standards to allow companies sufficient time to prepare accounting, reporting and risk systems and gather the data required.

c. Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.

The Financial instruments standard should be grouped with other related standards that impact the accounting, presentation and disclosure of financial instruments (i.e., Offsetting of Financial Assets and Financial Liabilities, Fair Value Measurements, Financial Instruments with Characteristics of Equity). Outside of this financial instruments group, we do not see standards that necessarily need to be grouped together for adoption.

d. Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

If the Boards proceed with a single date approach, we would strongly recommend allowing early adoption of any individual standard. This approach would ease the process of implementation by allowing companies more flexibility to adopt some of the standards early. The single adoption date at least five years from the issuance of the final standard with an option to early adopt would achieve the same result as the sequential approach without early adoption. Under both scenarios, companies would be able to more effectively manage their resources required for adopting the standards and reduce implementation costs.

While this approach may be criticized for the lack of comparability among companies and industries, we believe that the benefit of being able to implement the standards in the most cost-efficient way within the shortest possible timeframe would outweigh the lack of comparability during the years of transition.

Q6. Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

Yes. Please see our response in question 5d. above.

Q8. Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

Yes. The FASB and IASB should work together to achieve full convergence. While the SEC is finalizing the timetable for the eventual adoption of IFRS for U.S. registrants, we are very concerned that U.S. GAAP registrants will be required to implement significant changes in U.S. accounting standards for financial instruments that are not convergent with IFRS and shortly thereafter be required to undertake a second significant implementation effort when adopting IFRS.

In addition to converging the standards, the effort to converge should include having the same effective dates and transition methods for each standard. To the extent possible, requiring simultaneous adoption of the same standards would maximize comparability of financial statements of U.S. companies reporting under U.S. GAAP and foreign companies reporting under IFRS. We note, however, that there may be a lack of comparability for a period of time if the Boards adopt a single effective date with an early option to adopt any individual standards. We support this approach and think that the lack of comparability between companies filing under IFRS and U.S. GAAP, since it is temporary, is not a significant issue. However, more importantly, we believe that financial institutions and other global companies with subsidiaries that apply IFRS for local reporting should be able to adopt the same converged standard for both U.S. GAAP as well as local IFRS reporting at the same time.

Q9. How does the Foundation's ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?

Citigroup does not believe establishing different accounting standards for private companies is either necessary or appropriate. Every accounting standard should be simple enough for all companies to adopt. Also, distinctions between public and private companies and presumably "simple" accounting standards for private companies would impede the ability of private companies to access the capital markets and would provide lower quality financial information to their owners and creditors.

We thank the Board for its consideration and would welcome the opportunity to further discuss our comments with Board members and their staff. Please do not hesitate to contact me at (212) 559-7721.

Very truly yours,

Robert Traficanti

Deputy Controller and Head of Accounting Policy