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Matthew L. Schroeder
Managing Director
Global Head of Accounting Policy



September 13, 2013

Mr. Russell G. Golden
FASB Chairman
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2013-270 - Proposed Accounting Standards Update (Revised): Leases (Topic 842), a revision of the 2010 proposed FASB Accounting Standards Update, Leases (Topic 840)

Dear Mr. Golden:

Goldman Sachs appreciates the opportunity to comment on the Financial Accounting Standards Board's ("FASB" or the "Board") Proposed Accounting Standards Update, "Leases" (the "proposal" or "proposed guidance"). We support the proposal's objective to provide principles that lessees and lessors can use to report relevant and representationally faithful information about leasing transactions, and the proposal's move from bright-line to principle-based accounting standards. We also support the convergence project and more broadly the efforts by both the FASB and the International Accounting Standards Board to develop a single set of high quality, globally accepted standards when they represent an improvement to US financial reporting; the proposed update largely converges the accounting and disclosure requirements for leases.

We have confined our comments in large part to Type B leases as our leases fall predominantly into this category.

Balance Sheet Gross-Up of Leases

The proposed guidance retains two models for both lessors and lessees each with significant expense recognition differences. With respect to the lessee side of the transaction, the first model applies to assets that the lessee is, in effect, purchasing via a financing arrangement (Type A lease), while the second applies to assets that the lessee is essentially renting for less

than the asset's economic life (Type B lease). There is a presumption that equipment leases are generally financings, while real estate is generally rented rather than purchased via a lease. Type A leases result in accelerated expense recognition much like a loan, while Type B leases result in straight-line expense recognition. Lessor accounting is the complement of the lessee's accounting

We understand and agree with the conceptual basis for this distinction and differing expense recognition, but wonder why Type B leases belong on the lessee's balance sheet unlike other similar commitments that are disclosure items only. The Board's new proposed distinction between financing and operating type leases is easier to apply and less prone to structuring than the current FAS 13 model; once an entity determines that it is renting versus financing the purchase of an asset, it does not seem conceptually consistent to record the asset and the related liability on the balance sheet. We note that the lessor will continue to treat Type B leases under the current operating lease model, and under the proposed guidance, the lessor will not reflect these on its balance sheet.

Characterization of Right-to-Use Asset

While the Board's purview does not extend to the regulatory implications of its standards, we are concerned about the regulatory capital effects of any characterization of the right-to-use asset as an intangible for both Type A and Type B leases. This change would have significant adverse effects for banks if the regulators did not provide relief to lessees. We believe the Board should clarify that the right-to-use asset is a component of property, plant, and equipment, and should consider the risk of intangible classification for regulatory capital purposes in its cost-benefit analysis.

Questions 5 and 6 - Definition of Lease Term and Treatment of Variable Lease Payments

We believe that the changes that the Board has made in the revised proposal with respect to the definition of "lease term" and to the treatment of variable lease payments in the calculation of lease assets and lease liabilities mitigate many of the operational difficulties we highlighted in our comment letter on the earlier proposal. With respect to the lease term, however, determining whether a lessee has a significant economic incentive to renew when, for example, the lessee has made substantial leasehold improvements requires a great deal of judgment – particularly when the renewal date is several years into the future. The magnitude of that incentive may depend, in large part, on future general economic conditions and the local commercial real estate and construction markets in particular. We would suggest that the Board clarify that when the existence of a significant economic incentive to renew is unclear, the lessee should default to the minimum lease term in calculating lease assets and liabilities.

Thank you for the opportunity to provide our views. If you have any questions or would like to discuss any of these comments further, please contact me at 212-357-8437.

Sincerely,

A handwritten signature in black ink that reads "Matthew L. Schroeder". The signature is written in a cursive style with a large, stylized initial "M".

/s/ Matthew L. Schroeder