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September 13, 2013

Dear Chairmen:

Thank you for the opportunity to comment on the exposure draft Leases – Topic 842 Proposed Accounting Standards Update (Revised), which we will refer to as the “Proposed Standard”.

Fiat Group (“Fiat” or “we”) is engaged in the manufacture and sale of automobiles and light commercial vehicles, engines, transmission systems, automotive-related components, metallurgical products and production systems. Fiat S.p.A. shares are listed on the Milan Stock Exchange, and we report our consolidated financial statements under IFRS. Our significant subsidiary, Chrysler Group LLC (“Chrysler Group”) has debt securities that are registered with the Securities and Exchange Commission (“SEC”). As such, we have dual reporting requirements for Chrysler Group to the SEC under US GAAP and for Fiat Group’s consolidated financial statements under IFRS. In such a dual reporting environment, it is desirable for Fiat and Chrysler Group that the Boards maintain consistency in the standards, as well as, in application guidance and implementation.

We are supportive of the overall objectives of the joint project to provide financial statement users greater transparency into companies’ lease obligations and of the Boards’ efforts to align IFRS and US GAAP. However, we are concerned about the significant level of cost and effort we believe will be required to adopt and maintain the on-going accounting and reporting requirements under the Proposed Standard, as it is currently drafted.

We applied the guidance in the Proposed Standard to a sample of our existing lease arrangements to perform a preliminary assessment of the impact on our systems and resources. Based on the results of this assessment we concluded that the cost and time required to adopt the Proposed Standard would be significant, as noted below.

While we acknowledge the Boards’ invitation to gather responses to a list of twelve specific questions, we will limit responses to several key questions that we believe address some of the most significant challenges applicable to Fiat and to Chrysler Group.

Question 1: Identifying a lease. We have a high number of individually immaterial lease agreements that contain non-lease components such as maintenance. The Proposed Standard indicates that upon transition we would have to determine the fair value of the underlying assets and/or non-lease



components. Historically, information pertaining to these initial determinations for operating leases has not been retained in a readily available format. Based on the age of certain lease agreements as well as the fact that each lease agreement will be at different points in its term upon adoption, the time and cost required to obtain an auditable and supportable fair value of each lease and non-lease component would not be in proportion to any value provided to the users of the financial statements. The Proposed Standard indicates that if standalone prices for any component are not available, all components would be combined and accounted for as leases. This would result in a gross-up of the right of use (“ROU”) asset and related lease liability. As a practical relief upon transition, we propose the Boards permit the use of estimates in order to exclude the non-lease components, and that these estimates are allowed to be applied to entire categories of lease assets.

Question 4: Classification of leases. While we understand the criteria for classification of leases and agree with the application of such criteria to new leases, upon transition we believe it will be operationally difficult and extremely costly to apply these criteria to lease agreements already in effect. A large number of our operating lease agreements (leases of property and land, in particular) have been executed a number of years ago, and their fair value and objective measure of remaining economic life may not be determinable without engaging outside appraisal specialists, the costs of which may outweigh the benefits. While we understand the need for comparability between how certain leases are classified upon adoption versus how similar new leases may be classified prospectively, we ask that the Boards provide relief upon transition to allow classification of existing leases between Type A and Type B purely based on the nature of the underlying lease assets (i.e., property versus assets other than property).

Furthermore, we believe that in determining the classification of leases between Type A and Type B, the use of terms such as “insignificant”, “major part”, and “substantially all” in referring to the economic life and/or present value/fair value of the asset is subject to significant judgment that may lead to disparity in practice among issuers. While we appreciate the Boards’ intent to avoid bright-line rules, we believe more illustrative examples of each of the criteria would be beneficial in establishing comparable application of the Proposed Standard among different companies.

Question 5: Lease term. We do not believe that the determination of whether the lease term should include renewal options should depend solely on whether a significant economic incentive to exercise such renewal options exists, as economic incentive may not be indicative of a company’s intent to renew. To illustrate this point, a lease for laptop computers may contain significant incentives to renew, however, due to obsolescence and performance concerns, a company’s practice may be to terminate the lease after its initial contractual term, and obtain more current computer equipment. Likewise, a company may elect to exercise a renewal or termination option without significant incentives to do so. The requirement to only consider the existence of significant incentives to renew would lead to a misstatement of the ROU asset and liability. As such, we believe the lease term should consider other relevant information, such as intent to renew or ability to renew, in determining if a renewal option should be considered in the lease term. Furthermore, we believe the effort required to evaluate the facts and circumstances around the potential to exercise renewal or termination options for each individual agreement would be significantly disproportionate to the immateriality of each individual contract. As such, we ask the Boards to provide a relief upon transition to permit the evaluation of lease terms on portfolios of similar assets.

Question 6: Variable lease payments. A number of our leases have escalation clauses and/or renewal options that are tied to indices such as the Consumer Price Index (“CPI”). The requirement to remeasure the ROU asset and lease liability for each individual lease in every reporting period for changes in future lease payments that are dependent on an index or rate would be challenging and costly to implement and maintain in a systematic and controlled manner and would add undue complexity and effort to the reporting process. Changes to such rates can occur frequently, thus prompting a revaluation (i.e., a



gross-up) of the ROU assets and liabilities as frequently as every quarter, whereas we believe that the effect on the income statement of such reassessment would not be materially different than if a company were to recognize a change in the rate directly in the income statement in the period in which the change affects the lease payments. Thus, we believe that the ROU asset and the lease liability should only be reassessed in the event of significant changes to other factors affecting the lease, such as significant changes in the lease term or factors around exercising options to purchase the asset.

Question 7: Transition. Due to the size and complexity of our organization, in order to meet all the requirements of this Proposed Standard, we would need to make significant initial investments in IT systems, and implement new processes and controls around reporting processes. As a geographically diverse and complex global company, we negotiate, execute, account for and report most leases at the decentralized local legal entity level. Additional personnel and extensive training programs would be required for affected parties across the organization to ensure that the significant changes contained in the final standard are implemented appropriately. At least a portion of the initial transition costs is expected to continue to recur in order to support the significantly greater information requirements needed for the continual assessment and incremental disclosure requirements.

In our responses to the questions above, we propose certain transition relief pertaining to separation of lease and non-lease components, classification of leases, determination of lease terms, and the ongoing reassessment of ROU assets and liabilities for changes in variable lease payments tied to indices or rates. We believe these reliefs would be vital in effectively adopting the Proposed Standard and we suggest the Boards consider including them in the final standard. Overall, in order to meet all the reporting and disclosure objectives, we believe a minimum of 3 years from the issuance of the final standard to the effective date of its adoption is needed.

Question 8: Disclosure. As discussed in question 7 above, for a complex and decentralized organization such as ours, the cost and effort required to comply with all the reporting and disclosure requirements of this Proposed Standard would be significant, and we request that the Boards allow adequate time for transition once the final standard is issued.

Questions 9-12: FASB or IASB specific questions. As a global organization with required reporting under both IFRS and US GAAP, it would be extraordinarily costly and complex to implement a new standard with certain elements applicable only to either IFRS or US GAAP. Thus, we encourage the Boards to continue their joint efforts to avoid divergence. We also urge the Boards to ensure that any reliefs or additional guidance contemplated by either Board individually are agreed upon and adopted by both Boards.

Thank you for the opportunity to comment on the Proposed Standard. We would be pleased to discuss further any of the details of our letter with the Boards or their respective staffs.

/s/ Bonnie S. Catlin

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