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Technical Director, File Reference No. EITF-12GR Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Response to Proposed Accounting Standards Update, Consolidation (Topic 810) – Measuring the Financial Liabilities of a Consolidated Collateralized Financing Entity

The Principal Financial Group ("Principal") appreciates the opportunity to offer our views on the Financial Accounting Standards Board's ("FASB") "Consolidation (Topic 810), Measuring the Financial Liabilities of a Consolidated Collateralized Financing Entity – Exposure Draft," ("ED") issued July 19, 2013. The Principal is a leader in offering businesses, individuals and institutional clients a wide range of financial products and services, including retirement, asset management and insurance through its diverse family of financial services companies. A member of the Fortune 500®, the Principal Financial Group has \$450.6 billion in assets under management and serves some 20.1 million customers worldwide from offices in Asia, Australia, Europe, Latin America and the United States.

We wanted to take the opportunity to highlight an item that we view as key area of concern.

General Comments

We appreciate the Board's efforts in trying to resolve the diversity in practice in accounting for the difference upon initial consolidation between the fair value of assets and the fair value of the liabilities of a collateralized financing entity. We support the overall concept of the guidance which will ensure that the Primary Beneficiary's income statement will only be affected by the change in the fair value of its retained interests in the Variable Interest Entity ("VIE"). We do, however, recommend a change to the FASB's proposed methodology.

For many collateralized securitizations, such as commercial mortgage-backed security ("CMBS") pools, the assets may not be separately traded in the financial markets, while the liabilities which represent the interest of the security holders are typically traded in liquid markets. In establishing the fair value of the assets and liabilities we believe the Board should allow preparers to choose between the fair value of the VIE's assets or the fair value of the VIE's liabilities depending on which measurement has a more readily determinable fair value. The corresponding value will be used for either the asset or liability.

We understand the Board is concerned the above approach could result in non-financial assets, such as real estate owned, being measured at fair value. However, the carrying value of these assets would continue to be recorded at a lower of cost or market value verses purely fair value. The real estate owned within the trust is disclosed to market participants and is reflected in the valuation of the liabilities. Further, these non-financial assets, which would be found in commercial mortgage-backed securities are held as a result of a foreclosure and will not be held by these VIE entities for long periods of time due to the requirements of Real Estate Mortgage Investment Conduits. The percentage of these types of assets is small (e.g. compared to the overall CMBS universe less than 5% of the assets are real estate owned). Given these types of non-financial assets are an immaterial portion of the VIE universe and some VIEs may not have these type of assets at all, our proposal would produce the most accurate financial information.

We appreciate your consideration of our comments. If you would like to discuss this letter, please contact me at (515) 248-2292 or sanders.angie@principal.com.

Sincerely,

Angela R. Sanders

Senior Vice President and Controller

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