



January 17, 2012

Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P O Box 5116
Norwalk Connecticut 06856-5116

File Reference No: EITF-11A

Dear Ms. Cospers,

Citigroup is pleased to comment on the Proposed Accounting Standard Update pertaining to *Parent's Accounting for the Cumulative Translation Adjustment upon the Sale or Transfer of a Group of Assets That Is a Nonprofit Activity or a Business within a Consolidated Foreign Entity*. Citigroup supports the objective of the amendment which is to resolve the diversity in practice about whether Subtopic 810-10, Consolidation- Overall, or Subtopic 830-30, Foreign Currency Matters- Translation of Financial Statements, applies to the release of the cumulative translation adjustment into earnings when a parent no longer holds a controlling financial interest in a group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a consolidated foreign entity.

Although Citigroup supports the objective of resolving the diversity in practice, we are not in favor of the amendment in this Update which would require the reporting entity to apply the guidance in Subtopic 810-10 to release any cumulative translation adjustment into earnings when an entity ceases to have a controlling financial interest in a group of assets that is a nonprofit activity or business within a consolidated foreign entity.

We support the guidance in Subtopic 830-30 that provides for the cumulative translation adjustment to be released into earnings only if the sale or transfer represents a sale or substantially complete liquidation of an investment in a foreign entity because we believe that the cumulative translation adjustment is related to the net investment rather than operations or a part thereof, and should only be released when there is a complete or substantially complete liquidation of a foreign entity.

Citigroup would be pleased to meet with some or all Board members at your convenience to explain fully why we believe this Update should not be codified. We would welcome the inclusion of others that hold divergent views in that discussion because we envision the purpose of such a meeting

would be to help the Board more fully appreciate the level of diversity in practice on basic concepts. In addition, we think it would be instructive to demonstrate the practical application issues that will arise from the Board's proposals.

Appendix A provides Citigroup's response to specific questions asked by the Board raised in the exposure draft.

If you have any questions, I can be reached at 212-559-7721.

Sincerely,



Robert Traficanti

Deputy Controller and Global Head of Accounting Policy

APPENDIX A:

Question 1: Do you agree that the scope of this proposed Update should be limited to situations involving the loss of a controlling financial interest over a group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a consolidated foreign entity? If not, please explain why and indicate what other situations, if any, should be addressed by this proposed update?

We believe that an entity should not apply the guidance in Subtopic 810-10, as clarified by amendments in this proposed Update; however, should this proposed Update be codified, we agree that the scope should be limited to situations involving the loss of a controlling financial interest over a group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a consolidated financial entity.

Question 2: Do you agree that an entity should apply the guidance in Subtopic 810-10, as clarified by amendments in this proposed Update, for the release of the cumulative translation adjustment into earnings upon the loss of a controlling financial interest over a group of assets that is a nonprofit activity or a business (other than a sale in substance real estate or conveyance of oil and gas mineral rights) within a consolidated foreign entity? If not, please explain why.

We do not agree that an entity should apply the guidance in Subtopic 810-10, as clarified by amendments in this proposed Update, for the release of the cumulative translation adjustment into earnings when a parent no longer holds a controlling finance interest in a group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a consolidated foreign entity. We support the basis for conclusions in FAS 52 paragraph 111 which states (emphasis added):

Translation adjustments do not exist in terms of functional currency cash flows. Translation adjustments are solely a result of foreign currency translation process and have no direct effect on reporting currency cash flows. Exchange rate changes have an indirect effect on the net investment that may be realized upon sale or liquidation, **but that effect is related to the net investment and not to the operations of the investee. Prior to sale or liquidation, that effect is uncertain and remote as to require that translation adjustments arising currently should not be reported as part of operating results.**

The basis for conclusions highlights that cumulative translation adjustments are tied to the net investment rather than to the operations supporting a higher hurdle for release. For example, if a foreign entity were to sell an asset group that constitutes a business and re-invest the proceeds into the operations of that foreign entity, this proposed Update would support partial release of cumulative translation adjustments into earnings without a change in the net investment. Given that Subtopic 830-10 supports that such adjustments are related to the process of translation only, we would support release into earnings only upon complete sale or substantially complete liquidation of the foreign entity.

Furthermore, this proposed Update may have further implications including whether there would be a change in the definition of a “foreign entity”. If this proposed Update is codified, and the corresponding cumulative translation adjustment is released on the sale of a group of assets that is a business, then one could infer that a business could be its own foreign entity. This may have implications on the functional currency identification process which is currently performed at the foreign entity level. Given the broadened definition of a business in Subtopic 805-10-55-4, there could be a number of iterations of different groups of assets that would constitute a business within a foreign entity which could be conflicting in terms of identifying the appropriate functional currency. Hedging strategies may also need to be re-visited for potential changes in functional currency.

Question 3: Do you agree that upon the loss of a controlling financial interest over a group of assets that is a nonprofit activity or business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a consolidated foreign entity, if a parent has hedged part (or all) of its net investment in the related foreign entity, the parent should release into earnings the related amount of accumulated gain or loss on the hedge attributable to the nonprofit activity or business, along with the appropriate portion of the cumulative translation adjustment? If not, please explain why.

We agree that if this proposed Update is codified, then the parent should release into earnings the related amount of accumulated gain or loss on the hedge attributable to the nonprofit activity or business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) along with the appropriate portion of the cumulative translation adjustment.

Question 4: Do you agree that the amount of the cumulative translation adjustment to release into earnings upon a sale or transfer of a group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a consolidated foreign entity should be measured in a systematic and rational manner that reflects an asset group’s relative portion of the cumulative translation adjustment associated with the related foreign entity? If not, please explain a preferred measurement method.

If this proposed Update is codified then we believe that the amount of the cumulative translation adjustment to be released into earnings should be measured in a consistent, systematic and rational manner. However, there are significant application issues, and the Board should consider providing additional guidance. Is an entity required to adopt the *same* approach for all divestitures, or can a rational approach be determined on a case-by-case basis? For example, the most appropriate calculation for an asset-intensive vs. liability-intensive business may be different. Other businesses may contribute significantly to the profitability of a foreign entity (and thus contribute to the net assets and the subsequent cumulative translation adjustment) but comprise a small proportion of the entity’s total assets and liabilities. The length of time that a business has been held within a foreign entity seems to us to be a key factor in allocating the cumulative translation adjustment. A recently acquired business that is disposed of would presumably have contributed very little to the cumulative translation adjustment, so an allocation based on relative assets/liabilities would seem misleading. In our view, there are countless application issues that arise from the proposed Update and it is difficult

to justify that any approach results in a “correct” allocation of the cumulative translation adjustment. While we conceptually believe the guidance in Subtopic 830-10 is preferable, it also reduces these significant application issues.

Question 5: Do you agree that the amendments in this proposed Update should be applied prospectively? If not, please explain why?

Citigroup agrees with the notion that this Update should be applied on a prospective basis as the information needed to apply this amendment retrospectively may not be readily available or determinable. Additionally, prospective application would be consistent with the way SFAS 160 was applied.

The type and extent of cumulative translation adjustment tracking mechanisms do differ across businesses of Citigroup, and we would expect other companies to face the same challenges. Tracking systems have also changed over time as we have performed mergers and acquisitions. Therefore with diversity in historic practice we believe that prospective application of this Update is the efficient way to proceed going forward.

Question 6: Do you agree that an entity should be permitted to early adopt the amendments in this proposed Update? If not, please explain why.

Citigroup agrees that an entity should be permitted to early adopt the amendment in this proposed Update.

Question 7: How much time would be necessary to implement the provisions of the proposed Update?

Citigroup believes that if this proposed Update is codified, it should be required and applicable only for divestitures that have not yet been publicly announced. If codified, we believe that at least two years will be required to implement this proposed Update.