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September 25, 2012

Susan M. Cosper, Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO BOX 5116
Norwalk, CT 06856-5116

File Reference: No. 2012-200

Dear Board Members and FASB Staff:

Ally Financial Inc. ("Ally") is pleased to comment on Financial Accounting Standards Board's ("FASB" or the "Board") Proposed Accounting Standard Update, Financial Instruments, Disclosures about Liquidity Risk and Interest Rate Risk ("Proposed Update"). Ally (formerly GMAC Inc.) is a leading automotive financial services company with a top direct banking franchise. The company offers a full suite of automotive financing products and services to dealers and their customers. The company's subsidiary, Ally Bank, offers online retail banking products. Ally operates as a bank holding company and reported approximately $179 billion in assets as of June 30, 2012.

Ally understands the importance and supports the disclosure of accurate and informative liquidity and interest rate risk information to users of financial statements. However, we are concerned that certain aspects of the Proposed Update will be: 1) Unclear and potentially confusing to users of financial statements; 2) Inconsistent with proposed regulatory guidance regarding liquidity risk disclosure; 3) Difficult to audit; and 4) Operationally expensive and burdensome to implement.

The fundamental challenge is striking an appropriate balance between standardized disclosure, and information that is most relevant to users of financial statements. On the one hand, a liquidity maturity gap schedule providing the greatest value to users of financial statements and comes closest to reflecting an entity's liquidity risk would require a complex and comprehensive modeling of expected maturities. While Ally currently measures liquidity risk through a comprehensive suite of models, it does not present the information in a liquidity maturity gap schedule. Translating the output of our current models into the proposed schedule would be very expensive to produce in a SOX compliant manner and due to the significant amount of forward looking information, we believe it would also be difficult to audit. As a result, a liquidity maturity gap schedule would be better suited to the MD&A section, where SOX compliant processes would not need to be built around the significant forward looking information that is necessary to prepare these disclosures. On the other hand, a liquidity maturity gap schedule that provides the greatest amount of standardization, ease of implementation and "auditability" would base disclosure on contractual maturities. Unfortunately, a "contractual maturity" schedule would provide the least helpful view of liquidity risk and in fact, could be misleading to investors.

As you will see in our more detailed comments below, our preference is for the FASB and regulatory agencies (i.e. SEC and FRB) to agree to a consistent liquidity and interest rate disclosure regime.

The following sections will provide more specific observations, concerns and insights related to the Proposed Update. Our comments will focus on the proposed liquidity and interest rate risk disclosures required of a financial institution. In addition, Appendix A includes responses to certain of the specific questions the FASB included in its exposure draft.

Comments Specific to Liquidity Risk Disclosures

Effective liquidity risk management is a complex process requiring a variety of models, calculations and scenario analyses. As such, Ally utilizes a broad range of liquidity risk metrics ranging from simple coverage ratios to more sophisticated contingency funding/scenario models in order to assess liquidity risk. We are also confident that all large financial institutions employ a comprehensive approach to measuring and managing liquidity risk. However business models and balance sheets vary from organization to organization. As a result, the measurement and management of liquidity risk is unique to each organization. Unfortunately, the combination of sophisticated modeling and varying business models make it difficult to express the results of a comprehensive liquidity risk management process in a single, simple table.

The proposed liquidity maturity gap schedule contains a significant amount of granular data. However, it is still a fairly simple schedule that only provides a narrow glimpse of an entity's liquidity risk and therefore, may not provide an accurate representation of the entity's liquidity risk position and liquidity risk management practices. Because the proposed liquidity maturity gap schedule does not provide an accurate liquidity risk measure, Ally does not currently produce such a schedule as part of its comprehensive suite of liquidity metrics and contingency funding analyses. If the liquidity maturity gap schedule is adopted, Ally would be required to allocate significant resources and incur substantial costs to develop the systems, processes and audit reviews necessary to support the proposed disclosure. Further, we believe the information could be misleading to users of financial statements.

<u>Expected Maturities</u>

Ally believes using expected maturities to measure liquidity risk provides the most informative, accurate and actionable information. It is far superior to the contractual maturity alternative proposed by others (see: Inconsistencies with Regulatory Guidance, below). However, we ask that the Board consider certain shortcomings and complications with using expected maturities in the Proposed Update's liquidity gap schedule.

- **Reduces Standardization:** Modeling expected maturities requires the use of "data based" assumptions related to customer behavior. It is very likely that assumptions regarding the expected maturity of certain instruments will vary among different organizations, leading to a certain amount of variability in expected maturities for the same or similar products.

- **Inconsistencies with other Regulatory Guidance:** We would ask that the Board consider the impact of potential inconsistencies with U.S. regulatory requirements regarding liquidity risk management and disclosure. For example, the liquidity ratios being proposed under Basel III are currently based on contractual, not expected maturities. If the expected/contractual cash flow inconsistencies are not reconciled, financial institutions will be required to maintain processes and systems to support both contractual and expected cash flows and disclose liquidity risk measures that are fundamentally different, potentially creating confusion to users of financial statements. We strongly prefer the FASB work closely with other regulatory bodies and agree to a consistent approach to liquidity risk measurement and disclosure as well as the timing of implementation.

- **Treatment of Highly Liquid Securities:** Cash and highly liquid securities are critical components of liquidity risk management, providing a liquidity buffer to cover potential maturity mismatches. Unencumbered highly liquid securities such as U.S. Treasuries and Agencies can be easily sold and quickly converted into cash at a non-material price variance to carrying value. We believe that unencumbered highly liquid securities should be included in the earliest time bucket, representing the period of time necessary to sell or pledge the securities. It would seem counterproductive to characterize a U.S Treasury security based on its final maturity given the ease of converting to cash.

- **Committed Credit Facilities:** Similar to the highly liquid securities discussion above, available capacity on secured, committed facilities provides an important source of liquidity to Ally and other organizations. The committed facilities are typically secured by loan and/or lease collateral and provide a "matched" funding (i.e. the facilities are repaid based on the cash flows of the underlying collateral). Assets can be pledged and committed facilities drawn within a matter of days, providing a useful and cost effective way to convert longer term loan/lease assets into cash. The Proposed Update specifically excludes the expected timing of a sale or transfer of an instrument from the definition of expected maturity. We believe this treatment ignores the inherent liquidity of assets that can be pledged to committed facilities, overstating the liquidity maturity gap in the proposed schedule.

- **Term Retail Deposits:** Ally recognizes that the expected maturity of term deposits can vary from the contractual maturity. It is a fairly simple exercise to review historical customer behavior in order to estimate the portion of CDs where customers would cancel their CD prior to the contractual maturity and withdraw their funds. On the other hand, Ally has a significant amount of data that demonstrates that a very high percentage of CDs renew at maturity and the funding is retained within the organization. These findings are consistent with the customer behavior regarding non-maturity deposits where customers have the contractual ability to withdraw their funds on demand, but data shows that those balances are “sticky”/stable over long time periods. The current proposal is unclear as to the appropriate treatment of customers that renew their maturing CD or reinvest the proceeds into another Ally deposit product.

- **Treatment of Certain Call Features:** Ally believes it is important to differentiate between liquidity and interest rate risk. From a liquidity risk perspective, we believe an organization’s plans with respect to calling bonds should be considered. In other words, long term callable bonds where the organization has no current plans to call those bonds should be treated as long term liabilities in the liquidity maturity gap schedule, even if those bonds are callable on demand. While there are times when it may make economic sense to call a bond early, it is still a discretionary decision. During times of liquidity stress, an organization can choose to maintain its liquidity position and not call those bonds.

Time Deposit Disclosure

Ally currently discloses a significant amount of information regarding its deposit portfolio through quarterly regulatory reports, as well as Form 10-Qs and Form 10-Ks. We do not believe that the issuance of the Time Deposits schedule mentioned in paragraph 825-10-50-23L provides a material added benefit to users of financial statements and we therefore recommend that it should be removed from the Proposed Update. Ally’s direct deposit business is very different from typical “brick and mortar” banks. The direct deposit business model results in significant operational cost savings that can be passed along to our deposit customers in the form of higher rates. While the interest rate paid to customers may be higher, the “all-in” cost of direct deposits, including operational expenses is very competitive with typical “brick and mortar” deposits. Additionally, the overwhelming majority of retail CD balances are FDIC insured and CD rates are not indicative of perceived credit risk related to the organization. Therefore, a simple comparison of CD rates across institutions will not provide value to users of financial statements. Additionally, there are far better market based tools that can be used to identify potential funding stresses on a more timely basis (e.g. CDS levels).

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Segment Reporting

Ally would like to confirm the FASB's intention regarding segment level reporting. Ally has business units/segments that reach across legal entities and in particular, related to liquidity measures, we primarily manage the business based on the consolidated view and not specific to any individual segment. While the proposal does allow aggregation of segments, it is unclear to us whether the proposed update would allow for the aggregation of a non-financial institution segment with financial institution segments, thus allowing us to provide the disclosures on the entire entity view, rather than broken down in a manner that we feel would not be consistent with the way we manage our business. We ask that in the final update, the Board provide additional clarity on this point and allow for aggregation of the final disclosure requirements in a manner that is consistent with the way organizations manage their business, including at the consolidated entity basis.

Comments Specific to Interest Rate Risk Disclosures

Ally uses a broad range of interest rate risk metrics including net interest income and economic valuation simulations to assess the interest rate risks facing the organization. We are confident that while specific metrics and assumptions may differ, all large financial institutions employ a similar, comprehensive approach to measuring interest rate risk.

Repricing Gap Analysis

Ally believes the proposed repricing gap analysis could be enhanced. The requirement specifying the earlier of the repricing date or contractual maturity may not be reasonable for certain non-maturity products such as money market accounts, checking or short-term lines of credit. It appears the proposal is indicating that non-maturity accounts should be reported in the one month time bucket. However, the repricing of these instruments is generally more complex than an instrument based on a contractual agreement. Specifically, it may be difficult to incorporate lags, interest rate floors or rate triggers into a repricing gap analysis which may result in the misinterpretation of the interest rate risk. The decision-making usefulness of this proposed report would be enhanced if financial institutions incorporated their assumptions into the analysis and disclosed the assumptions.

Net Income Sensitivity Analysis

The proposed net income interest rate risk sensitivity analysis contains a significant amount of assumptions; some of which are not clearly specified including:

- **Shift of the Yield Curve:** It is uncertain if the proposed shifts for measuring the change in net income are due to changes to the spot rates or implied forward rates.

- **New Business Assumptions:** One component of our interest rate risk management includes net interest income analyses. These analyses include new business volumes, prepayments, deposit decay and certificate of deposit roll over assumptions. The proposal indicates these types of forward-looking expectations and other internal business strategies should not be included in the net income analyses. In addition, it is unclear if the proposal is requiring a runoff or static balance sheet when performing the analysis. Either of these methodologies would reduce the meaningfulness of the data and may not provide an accurate representation of an organization's interest rate risk position and interest rate risk management practices. We believe forward looking assumptions provide the most realistic methodology for evaluating net interest or net income sensitivity.

- **Consumer Behavioral Models:** Loan prepayments, deposit decay, deposit repricing and deposit rollover are critical assumptions for projecting net income for most financial institutions. However, it is unclear if these assumptions are included in the net income analysis.

- **Non-Interest Income and Expense and Tax Rates:** It is uncertain how these items are incorporated into the net income analysis if forward-looking views are not used. Are non-interest items annualized based on the quarterly run rate? If so, what about the impact of one time or unusual items? How are tax rates incorporated into the analysis; are they based on the quarterly run rate? These factors may unreasonably impact the sensitivity analyses; especially on a percentage basis.

Overall, Ally would be required to allocate additional resources and incur additional costs to develop these analyses and to develop the SOX compliant processes necessary to support the proposed disclosure.

General Comments

Effective Date

While we understand the Board's desire to provide users of financial statements with incremental liquidity and interest rate risk information on a timely basis, we would strongly encourage an extended implementation period between issuance and effective date given the significant changes that will be required in information systems and operations processes, in order to capture the necessary data required. We also request that the FASB work closely with other U.S. regulatory agencies to agree on a consistent approach to disclosing liquidity risk management information as well as the implementation date. It should be noted that the Basel III Liquidity Coverage Ratio and Net Stable Funding Ratio are targeted for 2015 and 2017 implementation, respectively.

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Ally appreciates the opportunity to share our comments with the Board. We urge the FASB staff to consider our aforementioned comments and answers to *Questions for Respondents* when finalizing the Proposed Update. If you have any questions on the comments contained in this letter, please contact Mark Sitlinger at 215-734-4887 or me at 215-734-4886.

Sincerely,

Michael Anspach
Executive Director, Global Corporate Accounting Policy and Valuation Governance
Ally Financial, Inc

cc: Mr. David DeBrunner, VP, Controller, and Chief Accounting Officer
Mr. James Mackey, Chief Financial Officer
Mr. Chris Halmy, Corporate Treasurer

Appendix A- FASB Questions

Question 1: For a financial institution, the proposed amendments would require a liquidity gap table that includes the expected maturities of an entity's financial assets and financial liabilities. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them.

Ally's Response:

Ally does not currently produce a liquidity maturity gap schedule and would be required to develop the systems infrastructure, management routines and audit practices to support the proposed disclosure table. First and foremost, we would prefer the Board and US regulatory agencies propose a consistent liquidity risk disclosure framework. Second, we request a reasonable time period for implementation.

Question 3: The proposed amendments would require information about expected maturities for financial assets and financial liabilities to highlight liquidity risk. *Expected maturity* is the expected settlement of the instrument resulting from contractual terms (for example, call dates, put dates, maturity dates, and prepayment expectations) rather than an entity's expected timing of the sale or transfer of the instrument. Do you agree that the term *expected maturity* is more meaningful than the term *contractual maturity* in the context of the proposed liquidity risk disclosures? If not, please explain the reasons and suggest an alternative approach.

Ally's Response:

We believe that expected maturities are a more meaningful measure of liquidity risk than contractual maturities. However, in our comments above, we identified several shortcomings with the expected maturity approach. Despite these shortcomings, we still support the use of expected maturities. Our key point is that liquidity risk management is significantly more complex than what is reflected in a standard liquidity maturity gap table.

Question 4: The proposed amendments would require a quantitative disclosure of an entity's available liquid funds, as discussed in paragraphs 825-10-50-23S through 50-23V. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Ally's Response:

We don't anticipate any significant operational concerns or constraints in disclosing an entity's available liquid funds.

Question 5: For depository institutions, the proposed Update would require a time deposit table that includes the issuances and acquisitions of brokered deposits during the previous four fiscal quarters. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Ally's Response:

Providing the proposed time deposit table in the requested format will require some systems and process development. We do not foresee significant operational concerns, but for the reasons stated above, we do not believe this table provides meaningful information to the users of financial statements. We respectfully request that the Board remove this requirement.

Question 6: As a preparer, do you feel that the proposed amendments would provide sufficient information for users of your financial statements to develop an understanding of your entity's exposure to liquidity risk? If not, what other information would better achieve this objective?

Ally's Response:

We are concerned that certain of the limitations discussed above will limit the effectiveness of the liquidity maturity gap table and will not provide users of financial statements with a full understanding of an entities liquidity risk exposure.

Question 13: The interest rate risk disclosures in this proposed Update would require a repricing gap table. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Ally's Response:

Ally does not currently produce a repricing gap analysis as specified in the proposal. We would be required to develop the systems infrastructure, management routines and SOX compliant, practices to support the proposed disclosure table. In addition, the requirement of the earlier of the repricing date or contractual maturity is not a realistic assumption for certain non-maturity products such as money market accounts, checking or short-term lines of credit that are consistently renewed. We believe a repricing gap analysis incorporating repricing, rollover and deposit decay of non-maturity accounts would be more meaningful.

Question 14: The interest rate risk disclosures in this proposed Update would include a sensitivity analysis of net income and shareholders' equity. Do you foresee any significant operational concerns or constraints in determining the effect of changes in interest rates on net income and shareholders' equity? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Ally's Response:

We do not anticipate any significant operational concerns or constraints in determining the effect of changes in interest rates on net income and shareholder's equity as we currently produce similar projections for internal analyses. However, the proposed requirement that the financial institution should not incorporate any forward-looking expectation or other internal business strategy into the projection increases the operational cost of the analysis and reduces the benefits. We believe a projection consistent with the financial institution's internal business strategy would reduce the operational burden and provide more meaningful analytics. If the reporting was modified to allow forward-looking projections then it may be advisable to allow financial institutions to disclose either the percentage or dollar change in net income as the willingness of institutions to disclose their base net income projection may be limited.

Question 15: As a preparer, do you feel that the proposed amendments would provide sufficient information for users of your financial statements to understand your entity's exposure to interest rate risk? If not, what other information would better achieve this objective?

Ally's Response:

We do not believe the proposed amendments would provide the most useful information to users of our financial statements in understanding our exposure to interest rate risk. We do not believe a net income analysis that is based on runoff or static balance sheet is meaningful. Similar analytics based on the financial institution's current balance sheet strategy would provide the users with a more robust understanding of the interest rate risk exposure. However, the willingness of financial institutions to use their internal projections may be limited if the projected net income is directly or indirectly disclosed.

Question 16: Would the repricing gap analysis in paragraphs 825-10-50-23Y trough 50-23AC provide decision-useful information in your analysis of financial institutions? If yes, how would this disclosure be helpful in your analysis? If not, what information would be more useful?

Ally's Response:

We do not believe the repricing gap analysis as specified in the above paragraphs would provide decision-useful information in the analysis of financial institutions. A modification of the requirements for certain products from contractual maturity to expected maturity and repricing would be more useful.

Question 17: Are the proposed time intervals in the repricing gap table in paragraphs 825-10-50-23AB through 50-23AC appropriate to provide decision-useful information about the interest rate risk to which a financial institution is exposed? If not, which time intervals would you suggest?

Ally's Response:

The proposed time intervals in the repricing gap table are appropriate but the inclusion of the yield and duration increases the operational constraints.

Question 18: The interest rate risk disclosures in this proposed Update would include a sensitivity analysis portraying the effects that specified changes in interest rates would have on net income and shareholders' equity. Currently, many banks and insurance companies provide a sensitivity analysis of the economic value of equity instead of shareholders' equity. A sensitivity analysis of economic value would include the changes in economic value of financial instruments measured at amortized cost, such as loans and deposits. A sensitivity analysis of shareholders' equity would only include those changes that affect shareholders' equity. Therefore, the changes in the economic value of financial instruments measured at amortized cost would not be reflected in the sensitivity analysis although changes in interest income would be reflected.
Do you think that a sensitivity analysis of shareholders' equity would provide more decision-useful information than would a sensitivity analysis of economic value? Please discuss the reasons why or why not.

Ally's Response:

A sensitivity analysis of economic value provides a more comprehensive view of the overall interest rate risk position of the financial institution. This view could be supplemented with the disclosure of the components that impact shareholder's equity. However, the willingness to disclose the economic value sensitivity of financial instruments due to changes in interest rates may be limited if the impact on projected net income or shareholder's equity is directly or indirectly disclosed.

Question 21: Although the proposed amendments do not have an effective date, the Board intends to address the needs of users of financial statements for more information about liquidity risk and interest rate risk. Therefore, the Board will strive to make these proposed amendments effective on a timely basis. How much time do you think stakeholders would require to prepare for and implement the amendments in this proposed Update? Should nonpublic entities be provided with a delayed effective date? If so, how long of a delay should be permitted and why? Are there specific amendments that would require more time to implement than others? If so, please identify which ones and explain why.

Ally's Response:

As discussed in our specific comments above, Ally's preference is that the implementation date would allow for ample time to incorporate necessary system changes to capture the necessary information and that it also be consistent with the implementation of the proposed regulatory liquidity ratios.

200 Renaissance Center
Detroit, MI 48265-2000