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Minneapolis, MN 55474



Via Email: director@fasb.org

December 10, 2012

Ms. Susan M. Cospers
Technical Director
File Reference No. EITF 12G
Financial Accounting Standards Board
401 Merritt 7
Post Office Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference: No. EITF - 12G, *Accounting for the Difference between the Fair Value of the Assets and the Fair Value of the Liabilities of a Consolidated Collateralized Financing Entity*

Dear Ms. Cospers:

Ameriprise Financial, Inc., one of the nation's leading financial planning, asset management and insurance companies, appreciates the opportunity to offer comments with respect to the Proposed Accounting Standards Update, *Consolidation (Topic 810): Accounting for the Difference between the Fair Value of the Assets and the Fair Value of the Liabilities of a Consolidated Collateralized Financing Entity* (the "Proposal" or Proposed ASU).

We appreciate the Financial Accounting Standards Board (the "FASB", the "Board") efforts to resolve the diversity in practice in the accounting for the difference between the fair value of the financial assets and the fair value of the financial liabilities of a consolidated collateralized financing entity ("CFE"). We also support a model where the fair value of the assets and liabilities equal when the fair value option is elected for the CFE assets and liabilities. However, we believe the Proposed ASU does not address consolidation issues for CFEs when the consolidating entity does not elect the fair value option for CFE assets and liabilities. We also believe that the Proposed ASU should be effective simultaneously with the FASB's Consolidation: Policy and Procedures Project (the "Consolidation Project") as we believe there is a possibility that deconsolidation for some of these CFE entities may be required once this guidance is adopted. In addition, the issuance of the Proposed ASU as drafted may create new diversity in practice and add complexity to the accounting for the difference between the fair value of the financial assets and the fair value of the financial liabilities of a consolidated CFE without further guidance.

Our comments on the Proposed ASU are discussed in detail below.

Collateralized Financing Entities - Fair Value Option is not Elected

While we support the FASB's efforts to resolve the diversity in practice in the accounting for CFEs when the fair value option is elected, the consolidation accounting model for CFEs when fair value is not elected for the CFE assets and liabilities results in net income (loss) attributable to the reporting entity that is ultimately realized by the beneficial interest holders. The net income (loss) is created by differences in the assets and liabilities over the life of the entity. Specifically, ASC 810 *Consolidation* indicates that a noncontrolling interest in an entity is any equity interest in the consolidated entity that is not attributable to the parent. We believe financial statement preparers would be better served by the FASB resolving the noncontrolling interest issue for all CFEs collectively rather than trying to resolve diversity in practice issues for only CFEs when the fair value option is elected.

Transition

If the Board decides to move forward with the Proposed ASU, we recommend that the Board align the effective dates for the Proposed ASU and the Consolidation Project. We believe the Consolidation Project could result in deconsolidating CFEs where the reporting entity owns an immaterial amount or none of the CFEs beneficial interests. Adopting the Proposed ASU and then potentially deconsolidating CFEs as a result of the adoption of the Consolidation Project would confuse financial statement users and is not an efficient process. We agree with the transition provision to allow either the modified retrospective or full retrospective approach.

Definition of a Collateralized Financing Entity

The Proposed ASU contains an amendment to the Master Glossary that defines a CFE as:

"A variable interest entity that holds debt instruments, issues beneficial interests in those financial assets, and has no equity. All the beneficial interests are financial liabilities that only have recourse to the related financial assets of the collateralized financing entity."

We believe the CFE definition should allow for nominal non-voting, non-participating equity. Many CFEs will for legal purposes, issue a nominal amount of shares. These shares are non-voting and are not entitled to any residual returns of the CFE as such we do not believe these shares would meet the definition of equity as defined in ASC 505 *Equity*. We believe that the CFE definition should be modified to allow for this nominal legal equity when the other criteria of the CFE definition are met.

The definition of a CFE should also have an exception for when a CFE temporarily holds a non-financial asset. It is possible for a CFE to receive non-financial assets as part of legal restructuring of a financial asset such as a loan. Although this does not happen frequently, we believe holding a non-financial asset temporarily should not preclude the proposed accounting, or cause a CFE to fall outside this guidance if the entity plans to sell the asset in the short-term.

Determining the CFEs Net Risk Exposure

We believe the Proposed ASU, specifically the basis for conclusions paragraph BC6, intends for the fair value of the assets and liabilities of the CFE to equal when the reporting entity owns none of the CFE's beneficial interest. However, we do not think the guidance as written will accomplish the FASB's intent. It is not explicit in the guidance that the price of the net risk exposure is zero, when the reporting entity owns none of the CFE's beneficial interest. Only in the basis for conclusions does

the FASB stipulate the transaction price of the net risk exposure is most often zero. We request the FASB to include specific transitional guidance on the calculation of the net risk exposure in the final standard.

Paragraph BC6 of the Proposed ASU indicates the portfolio-level fair value adjustments allocated to the individual financial assets or financial liabilities are based on the more determinable fair value of either the financial assets or the financial liabilities. We agree with allocating based on the more determinable fair value. We recommend the information in BC6 be included in the standard rather than the basis for conclusions. In addition, we propose requiring a relative fair value allocation approach to allocate the portfolio-level adjustments to individual assets or liabilities. Use of a relative fair value approach is consistent with existing guidance within ASC 805 *Business Combinations* and ASC 350 *Intangibles – Goodwill and Other* that either requires or allows the use of a relative fair value allocation approach.

When a reporting entity owns some of the beneficial interests of the CFE, it is not clear how we would value our investment in the structure, or whether or not we need to value our asset management contract. Paragraph BC6 states the following with regard to valuing the reporting entities beneficial interest:

“...based on the perspective of market participants, consistent with the objective of measuring the net amount that the reporting entity would expect to realize if it has (or believes it can readily obtain) the means to terminate the collateralized financing entity”

We interpret the BC6 guidance as requiring a liquidation basis of accounting when valuing the beneficial interest. Currently, we value the CFE beneficial interest using a fair value income approach with the assumption the CFE is a going concern. We do not believe the liquidation basis of accounting is consistent with ASC 820 *Fair Value Measurements and Disclosures*. If the FASB intends the use of the liquidation basis of accounting the guidance should be included in the final standard and not in the basis for conclusions. In addition, once the reporting entity values the net risk exposure of its beneficial interest it is unclear how this valuation is allocated to the individual assets and liabilities of the CFE. Further, if the reporting entity's investment valuation in the CFE (i.e. asset of reporting entity) is different from the valuation of the CFE beneficial interest (i.e. liabilities of CFE) the amounts will not equal and the consolidation elimination entries will not balance.

Fair Value Measurement Hierarchy

The fair value measurement hierarchy level for our consolidated CFEs is different for the CFE assets and liabilities on a standalone basis. The exception provided for offsetting positions within ASC 820-10-35-18 is not clear on how to determine the appropriate hierarchy measurement level or the related fair value measurement disclosures including the quantitative information about unobservable inputs and assumptions used in the measurements, etc. We request that additional information or examples be added to the proposed ASU to provide clear guidance on how to make the fair value measurement disclosures.

Conclusion

In conclusion, we support the FASB's efforts to resolve the diversity in practice in the accounting by a reporting entity for the difference between the fair value of the financial assets and the fair value of the financial liabilities of a consolidated CFE. We believe the Board should address the diversity in practice through a more comprehensive overhaul of the consolidation accounting and noncontrolling interest difficulties that are caused by CFE entities that do not have equity. If the FASB decides to move forward with the issuance of the Proposed ASU, we believe an improvement in the transition

provisions would be to require simultaneous adoption of the Proposed ASU and the future Consolidations Project to avoid accounting modifications related the Proposal and then potentially deconsolidating these same CFEs. Finally, we support a model that matches the fair value of the liabilities to the fair value of the assets for consolidated CFEs where the fair value option is elected. However, we believe the Proposed ASU needs significant transitional guidance and examples for us to implement the changes and to eliminate future diversity in practice.

Thank you for your consideration of our comments on these very important matters. If you have any questions, comments or would like further information, please contact me at (612) 678-4769.

Sincerely,

A handwritten signature in black ink, appearing to read "David K. Stewart". The signature is written in a cursive, flowing style.

David K. Stewart
Senior Vice President & Controller