

December 10, 2012

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

File Reference: EITF-11Ar

Dear Board Members and FASB Staff:

Ally Financial Inc. ("Ally" or the "Company") appreciates the opportunity to comment on Financial Accounting Standards Board's ("FASB" or the "Board") revised Proposed Accounting Standard Update, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* ("Proposed Update"). Ally (formerly GMAC Inc.) is a leading automotive financial services company with a premiere 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 \$182 billion in assets as of September 30, 2012.

Given the complexities within the topic, Ally understands the existence of the diversity in practice and supports the FASB and the Emerging Issues Task Force ("EITF") in their efforts to provide clarifications that are intended to mitigate diversity in practice. However, in this instance, we believe that the proposal is not sufficient to adapt to the various complex sale structures utilized throughout the industry. Consistent with the initially issued proposal, we feel strongly that the release of a proportionate share of any cumulative translation adjustment ("CTA") is appropriate any time a company executes a transaction to sell assets and operations of a foreign subsidiary that meets the definition of a business as described in Topic 805. We believe that requiring a partial release of CTA for all foreign sales of assets and operations constituting a business will eliminate structuring opportunities and support an accounting model that is consistent with the substance of the transaction.

The following discussion will provide more specific observations, concerns and insights related to the Proposed Update. In addition, Appendix A includes responses to certain of the specific questions the FASB included in the Proposed Update.



Form and Substance of Sale Transactions

We believe that the release of a proportionate amount of the associated CTA balance is appropriate when an entity (1) sells foreign assets and operations that are representative of a business as defined in Topic 805 or the subject assets and operations are deemed to be a disposal group pursuant to ASC Topic 360, and (2) there is a CTA balance associated with the assets and operations being sold. We believe broadening the scope of the guidance as stated will provide for a principles-based approach when determining the appropriate timing for the release of CTA balances. We further note that other areas of the codification already provide allocation models that could be analogous when determining the proportionate amount of CTA to release and do not believe this creates operational concerns given that similar approaches have been applied in the past.

Disposal structures can take on a variety of forms in order to achieve varying objectives of the buying and selling entities – including economic, tax, regulatory and other objectives. For example, a disposal of an entity which meets the definition of a business pursuant to Topic 805 could be structured in the form of an asset or share sale in order to achieve certain tax objectives of the buying or selling entity. Regardless of form, the substance of such disposal structures could be the same from the perspective of the selling entity. We understand that the proposed guidance was intended to differentiate the treatment for releasing the CTA between events occurring *within* a foreign entity and events related to an investment *in* a foreign entity in order to align with the consolidation principles of Topic 810. However, we believe this could lead to an accounting model that is driven by the form of a disposal, rather than its substance. As such, we are concerned that certain disposals which are structured as asset sales, but are in substance the sale of a business and accounted for as such under Topic 360, would not meet the threshold necessary to release CTA under the proposed guidance.

As a result, we believe it is appropriate to align the guidance to Topic 360 and ASC Topic 205. This would ensure that a proportionate amount of the CTA is released from shareholder's equity upon successful consummation of a disposal transaction. Specifically, the Proposed Update could result in instances where (1) a disposal group meets the Topic 360 criteria to be presented for as held for sale, (2) the disposal group is a component that meets the Topic 205 criteria to be presented as a discontinued operation, and (3) no related CTA associated with those operations is released and recognized. We believe that the guidance within the Proposed Update could result in situations where this related guidance is not aligned.



To illustrate this point, consider the following example:

Assume that ParentCo owns 100% of the common ownership interests outstanding in ForeignCo. The reporting currency of ParentCo is USD and the functional currency of ForeignCo is CAD. Additionally, assume that ParentCo has recorded an unrealized CTA loss in its consolidated financial statements in the amount of \$100 USD as a result of periodic translations in accordance with Topic 830.

Scenario 1

ForeignCo operates and conducts its business through two separate divisions which are not structured as separate legal entities: DivCo1 and DivCo2. Both divisions have separate systems, processes, people, and are managed separately. Additionally, both divisions would meet the definition of a business pursuant to Topic 805. DivCo1 and DivCo2 each account for 50% of ForeignCo's assets and net income.

As part of ParentCo's deleveraging strategy, ForeignCo executes an agreement to sell all of its assets and operations in DivCo2. The agreement is structured as an asset sale and DivCo2's assets and operations meet the criteria to be classified as held for sale as a disposal group pursuant to Topic 360 and presented as discontinued operations as a component pursuant to Topic 205.

Under the Proposed Update, no portion of ParentCo's unrealized CTA loss would be (1) included in the lower of cost or market measurement assessment upon reclassification as held for sale or (2) released from shareholder's equity and recognized in ParentCo's income statement on closing. As such, this loss would be deferred until the remaining activity in ForeignCo was "substantially liquidated" through subsequent sale or run-off even though ParentCo made a strategic decision to cease operations through DivCo2 and thus the net capital outstanding after the proceeds are repatriated has been reduced in half.

Scenario 2

ForeignCo operates and conducts its business through two separate Canadian subsidiaries which are 100% owned: SubCo 1 and SubCo 2. ForeignCo has no assets other than the ownership interests in SubCo1 and SubCo2. SubCo 1 and SubCo 2 each account for 50% of ForeignCo's assets and net income. Translations of SubCo1 and SubCo2 equally account for ParentCo's \$100 USD CTA unrealized loss balance.

As part of ParentCo's deleveraging strategy, ForeignCo executes an agreement to sell 100% of its outstanding ownership interest in SubCo2. The agreement is structured as a share sale and SubCo2's assets and operations meet the criteria to be classified as held for sale as a disposal group pursuant to Topic 360 and discontinued operations as a component pursuant to Topic 205.



Under the Proposed Update, the amount of ParentCo's unrealized CTA loss associated with SubCo2 would be (1) included in the lower of cost or market measurement assessment upon reclassification to held for sale and (2) released from shareholder's equity and recognized in ParentCo's income statement on closing.

As illustrated in the above examples and in accordance with the Proposed Update, the structure of both (1) the legal entity structure and (2) the legal from of the sale agreements has a direct impact on the recognition/non-recognition of the associated CTA balance even though ParentCo's strategy and the substance was the same in both scenarios. Under the Proposed Update, sales involving the stock of a subsidiary would likely result in the recognition of the CTA while sales structured as asset sales would likely defer the recognition of the CTA (unless the "substantially complete" liquidation threshold is met). This could result in a situation where transactions with substantially similar terms could yield a vastly different accounting result.

Because the proposal requires entities to assess the form of the transaction rather than its substance, we believe that this provides entities with the ability to structure transactions to accelerate or delay the recognition of any CTA associated with the assets and operations being sold. We believe that broadening the scope to all foreign sales of assets and operations constituting a business will eliminate these structuring opportunities.

We further believe that a form based model could result in a situation whereby a Company has divested a significant portion of its operations in a foreign subsidiary but still retains its entire CTA balance if the structure of the dispositions were such that they would not meet the criteria for CTA release under the Proposed Update. We believe that the amount of CTA held by an entity should be directly related to the investments in foreign operations that it currently holds. However, the Proposed Update could result in an entity carrying an inflated level of CTA that is not commensurate with its remaining foreign operations. We further believe that, in the event the Company sells its remaining investment in a foreign subsidiary at a future date, this could result in a disproportionate income statement impact upon final sale.

To further illustrate this point, consider the following example:

Assume that ParentCo owns 100% of the common ownership interests outstanding in ForeignCo. The reporting currency of ParentCo is USD and the functional currency of ForeignCo is CAD. Additionally, assume that ParentCo has recorded an unrealized CTA loss in its consolidated financial statements in the amount of \$100 USD as a result of periodic translations in accordance with Topic 830. ForeignCo operates and conducts its business through various segments. ForeignCo has no debt outstanding or other obligations.



Scenario 1

As part of ParentCo's deleveraging strategy, ForeignCo executes an agreement to sell 85% of its assets as well as its core systems, people, processes, intellectual property, and physical property. The remaining 15% will be retained by ForeignCo and run-off over a 5 year period. For tax purposes, the agreement is structured as an asset sale. The assets and operations meet the criteria to be classified as held for sale as a disposal group pursuant to Topic 360 and presented as discontinued operations as a component pursuant to Topic 205 in ParentCo's consolidated financial statements.

Under the Proposed Update, no portion of ParentCo's unrealized CTA loss would be (1) included in the lower of cost or market measurement assessment upon reclassification to held for sale or (2) released from shareholder's equity and recognized in ParentCo's consolidated income statement on closing. As such, this loss would be deferred until the remaining activity in ForeignCo is "substantially liquidated" through subsequent sale or run-off of the retained assets.

Scenario 2

ParentCo executes an agreement to sell 100% of its ownership interests in ForeignCo. Prior to closing, ParentCo purchases a pool of assets totaling 15% of the net assets of ForeignCo for fair value (e.g. the assets are carved out prior to sale). The remaining 15% will be run-off by ParentCo over a 5 year period. The agreement is structured as a share sale for specific tax purposes and the assets and operations meet the criteria to be classified as held for sale as a disposal group pursuant to Topic 360 and presented as discontinued operations as a component pursuant to Topic 205 in ParentCo's consolidated financial statements.

Under the Proposed Update, ParentCo's unrealized CTA loss associated with ForeignCo would be (1) included in the lower of cost or market measurement assessment upon reclassification to held for sale and (2) released from shareholder's equity and recognized in ParentCo's consolidated income statement on closing.

As illustrated in the above examples, which are substantially the same, the Proposed Update could result in a company carrying an inflated level of CTA as a result of transactions structured as asset sales whereby the threshold for "substantially complete liquidation" is not met.



Transition

If the Board ratifies the Proposed Update, we believe that the transition for the Proposed Update should be prospective application. Any required retroactive application of the guidance could create unnecessary operational complexity as that could require companies to "re-establish" CTA amounts previously derecognized under a different application of the guidance.

Additionally, we also request that transition guidance address how to account for any CTA balances currently included in the impairment assessments of disposal groups that are classified as held for sale upon adoption of the final guidance. For example, in the event that an entity had previously classified a disposal group as held for sale and included CTA amounts in the basis of the business when determining the amount of impairment to record (which is not in-line with the Proposed Update), transition guidance should be provided to direct entities regarding the appropriate treatment of these CTA amounts in the impairment measurement in accordance with Topic 360 upon adoption.

Ally appreciates the opportunity to share our comments with the Board. We urge the Board and the EITF 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

Opus



Appendix A- FASB Questions

Question 1: Do you agree that an entity should apply the guidance in Subtopic 830-30, as clarified by the amendments in this proposed Update, for the release of the cumulative translation adjustment into net income upon the loss of a controlling financial interest of a subsidiary or 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.

Ally's Response:

As discussed in our comments above, Ally does not agree that the guidance within Subtopic 830-30 is the most appropriate method for the release of CTA. We do not believe a distinction is appropriate between sales occurring *within* a foreign entity and sales of a net investment *in* a foreign entity for the reasons outlined above.

Question 2: Do you agree that an entity should apply the guidance in Subtopic 830-30, as clarified by the proposed amendments, for the release of the cumulative translation adjustment into net income upon the loss of a controlling financial interest in an investment in a consolidated foreign entity as well as to the derecognition of an equity method investment that is a foreign entity in an acquisition of a business in stages (sometimes referred to as a step acquisition)? If not, please explain why.

Ally's Response:

Ally believes that there should be a single model related to the derecognition of CTA. We believe a proportionate release of CTA under the partial sale of the equity method investment is the better approach and we would prefer to see this approach aligned with the resulting final guidance.

Question 3: Do you agree that the proposed amendments clearly differentiate the treatment for releasing the cumulative translation adjustment between events occurring *within* a foreign entity and events related to an investment *in* a foreign entity? If so, please explain.

Ally's Response:

We do not believe that such a differentiation should be made. Rather, consistent with our comments above, we believe a principles-based approach should be established when a Company divests assets and operations of a foreign entity that meets the definition of a business as described in Topic 805. Further, we believe that our thoughts are consistent with the originally proposed guidance in this area.

Question 4: Do you agree that the proposed amendments should be applied prospectively? If not, please explain why.



Ally's Response:

Yes, we agree that prospective application is appropriate for any final guidance in this area. Refer to our comments above for our views on additional transition guidance that would be required, based on the current Proposed Update.

Question 5: Do you agree that an entity should be permitted to early adopt the proposed amendments? If not, please explain why.

Ally's Response:

Yes, we agree that early adoption should be allowed if an entity so chooses.

Question 6: How much time would be needed to implement the proposed amendments?

Ally's Response:

If the transition is prospective, we believe the guidance can be implemented fairly quickly. However, we would like to emphasize our comments above regarding the linkage between this guidance and items already being accounted for under Topic 360. We do believe that transition guidance needs to be provided related to such items that are already incorporated into the measurement of disposal groups classified as held for sale.