

FINANCIAL ACCOUNTING SERIES



ACCOUNTING STANDARDS UPDATE

No. 2009-17
December 2009

Consolidations (Topic 810)

Improvements to Financial Reporting by
Enterprises Involved with Variable Interest Entities

An Amendment of the *FASB Accounting Standards Codification*[™]

Financial Accounting Standards Board
of the Financial Accounting Foundation

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Amendments to the *FASB Accounting Standards Codification*TM

1. The amendments in this Update to the Accounting Standards Codification are the result of FASB Statement No. 167, *Amendments to FASB Interpretation No. 46(R)*. That Statement was issued by the Board on June 12, 2009.

Introduction

2. The Accounting Standards Codification is amended as described in paragraphs 3–56. In some cases, not only are the amended paragraphs shown, but also the preceding and following paragraphs are shown to put the change in context. Terms from the Master Glossary are in **bold** type. Added text is underlined, and deleted text is ~~struck out~~.

Amendments to Subtopic 810-10

3. Amend paragraph 810-10-05-8, with a link to transition paragraph 810-10-65-2, as follows:

Consolidation—Overall—Overview and Background

> Consolidation of VIEs

810-10-05-8 The Variable Interest Entities Subsections clarify the application of the General Subsections to certain **legal entities** in which equity investors ~~do not have the characteristics of a controlling financial interest or~~ do not have sufficient equity at risk for the legal entity to finance its activities without additional **subordinated financial support** **[FIN 46(R), paragraph 1, sequence 55.1]** or, as a group, the holders of the equity investment at risk lack any one of the following three characteristics: [FIN 46(R), paragraph 1, sequence 55.2]

- a. The power, through voting rights or similar rights, to direct the activities of a legal entity that most significantly impact the entity's economic performance [FIN 46(R), paragraph 1, sequence 55.2.1]
- b. The obligation to absorb the expected losses of the legal entity [FIN 46(R), paragraph 1, sequence 55.2.2]
- c. The right to receive the expected residual returns of the legal entity. [FIN 46(R), paragraph 1, sequence 55.2.3]

Paragraph 810-10-10-1 states that consolidated financial statements are usually necessary for a fair presentation if one of the entities in the **consolidated group** directly or indirectly has a controlling financial interest in the other entities. Paragraph 810-10-15-8 states that the usual condition for a controlling financial interest is ownership of a majority voting interest. However, application of the majority voting interest requirement in the General Subsections of this Subtopic to certain types of entities may not identify the party with a controlling financial interest because the controlling financial interest may be achieved through arrangements that do not involve voting interests.

4. Add paragraph 810-10-05-8A, with a link to transition paragraph 810-10-65-2, as follows:

810-10-05-8A The reporting entity with a variable interest or interests that provide the reporting entity with a controlling financial interest in a **variable interest entity** (VIE) will have both of the following characteristics: [FIN 46(R), paragraph 1A, sequence 56.1]

- a. The power to direct the activities of a VIE that most significantly impact the VIE's economic performance [FIN 46(R), paragraph 1A, sequence 56.1.1]
- b. The obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. [FIN 46(R), paragraph 1A, sequence 56.1.2]

5. Amend paragraphs 810-10-05-9 through 05-10, with a link to transition paragraph 810-10-65-2, as follows:

810-10-05-9 The Variable Interest Entities Subsections explain how to identify ~~variable interest entities~~ (VIEs) and how to determine when a reporting entity should include the assets, liabilities, **noncontrolling interests**, and results of activities of a VIE in its consolidated financial statements. Transactions involving VIEs ~~are have become increasingly~~ common. Some reporting entities have entered into arrangements using VIEs that appear to be designed to avoid reporting assets and liabilities for which they are responsible, to delay reporting losses that have already been incurred, or to report gains that are illusory. At the same time, many reporting entities have used VIEs for valid business purposes and have properly accounted for those VIEs based on guidance and accepted practice.

810-10-05-10 Some relationships between reporting entities and VIEs are similar to relationships established by majority voting interests, but VIEs often are arranged without a governing board or with a governing board that has limited

ability to make decisions that affect the VIE's activities. A VIE's activities may be limited or predetermined by the articles of incorporation, bylaws, partnership agreements, trust agreements, other establishing documents, or contractual agreements between the parties involved with the VIE. A reporting entity implicitly chooses at the time of its investment to accept the activities in which the VIE is permitted to engage. That reporting entity may not need the ability to make decisions if the activities are predetermined or limited in ways the reporting entity chooses to accept. Alternatively, the reporting entity may obtain an ability to make decisions that affect a VIE's activities through contracts, or the VIE's governing documents. There may be other techniques for protecting a reporting entity's interests. In any case, the reporting entity may receive benefits similar to those received from a controlling financial interest and be exposed to risks similar to those received from a controlling financial interest without holding a majority voting interest (or without holding any voting interest). The power to direct the activities of a VIE that most significantly impact the entity's economic performance and the reporting entity's exposure to the entity's losses or benefits [FIN 46(R), paragraph 14A, sequence 121.3.1] Risks, benefits, or both are the determinants of consolidation in the Variable Interest Entities Subsections. [FIN46(R), paragraph E7, sequence 369] ~~The ability to make decisions is considered an indication that a reporting entity may have sufficient benefits and risks to require consolidation. However, another key indicator is an ability to benefit from the results of those decisions. Therefore, the~~ The Variable Interest Entities Subsections also provide guidance on determining whether fees paid to a decision maker or service provider should be considered a variable interest in a VIE. ~~That guidance is provided to distinguish between decision making of the kind performed by a hired agent or employee from decision making that is a key indicator of a controlling financial interest.~~

810-10-05-11 VIEs often are created for a single specified purpose, for example, to facilitate securitization, leasing, hedging, research and development, reinsurance, or other transactions or arrangements. The activities may be predetermined by the documents that establish the VIEs or by contracts or other arrangements between the parties involved. However, those characteristics do not define the scope of the Variable Interest Entities Subsections because other entities may have those same characteristics. The distinction between VIEs and other entities is based on the nature and amount of the equity investment and the rights and obligations of the equity investors.

810-10-05-12 Because the equity investors in an entity other than a VIE generally absorb losses first, they can be expected to resist arrangements that give other parties the ability to significantly increase their risk or reduce their benefits. Other parties can be expected to align their interests with those of the equity investors, protect their interests contractually, or avoid any involvement with the entity.

810-10-05-13 In contrast, either a VIE does not issue voting interests (or other interests with similar rights) or the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support. If a legal entity does not issue voting or similar interests or if the equity investment is insufficient, that legal entity's activities may be predetermined or decision-making ability is determined contractually. If the total equity investment at risk is not sufficient to permit the legal entity to finance its activities, the parties providing the necessary additional subordinated financial support most likely will not permit an equity investor to make decisions that may be counter to their interests. That means that the usual condition for establishing a controlling financial interest as a majority voting interest does not apply to VIEs. Consequently, a standard for consolidation that requires ownership of voting stock or some other form of decision-making ability is not appropriate for such entities.

6. Add paragraphs 810-10-15-13A through 15-13B, with a link to transition paragraph 810-10-65-2, as follows:

Consolidation—Overall—Scope and Scope Exceptions

> Overall Guidance

810-10-15-13 The Variable Interest Entities Subsections follow the same Scope and Scope Exceptions as outlined in the General Subsection of this Subtopic, see paragraph 810-10-15-1, with specific transaction qualifications and exceptions noted below.

810-10-15-13A For purposes of applying the Variable Interest Entities Subsections, only substantive terms, transactions, and arrangements, whether contractual or noncontractual, shall be considered. Any term, transaction, or arrangement [FIN 46(R), paragraph 2A, sequence 62.1] shall be disregarded when applying the provisions of the Variable Interest Entities Subsections [FIN 46(R), paragraph 2A, sequence 62.3] if the term, transaction, or arrangement does not have a substantive effect on any of the following: [FIN 46(R), paragraph 2A, sequence 62.2]

- a. A legal entity's status as a VIE [FIN 46(R), paragraph 2A, sequence 62.2.1]
- b. A reporting entity's power over a VIE [FIN 46(R), paragraph 2A, sequence 62.2.2]
- c. A reporting entity's obligation to absorb losses or its right to receive benefits of the legal entity. [FIN 46(R), paragraph 2A, sequence 62.2.3]

810-10-15-13B Judgment, based on consideration of all the facts and circumstances, is needed to distinguish substantive terms, transactions, and arrangements from nonsubstantive terms, transactions, and arrangements. [FIN 46(R), paragraph 2A, sequence 62.4]

7. Amend paragraph 810-10-15-14, with a link to transition paragraph 810-10-65-2, as follows:

> Entities

810-10-15-14 A **legal entity** shall be subject to consolidation under the guidance in the Variable Interest Entities Subsections if, by design, any of the following conditions ~~exist~~ exist. (The phrase *by design* refers to legal entities that meet the conditions in this paragraph because of the way they are structured. For example, a legal entity under the control of its equity investors that originally was not a **variable interest entity** [VIE] does not become one because of operating losses. The design of the legal entity is important in the application of these provisions.) ~~provisions~~;

- a. The total equity investment (equity investments in a legal entity are interests that are required to be reported as equity in that entity's financial statements) at risk is not sufficient to permit the legal entity to finance its activities without additional **subordinated financial support** provided by any parties, including equity holders. For this purpose, the total equity investment at risk has all of the following characteristics:
 1. Includes only equity investments in the legal entity that participate significantly in profits and losses even if those investments do not carry voting rights
 2. Does not include equity interests that the legal entity issued in exchange for subordinated interests in other VIEs
 3. Does not include amounts provided to the equity investor directly or indirectly by the legal entity or by other parties involved with the legal entity (for example, by fees, charitable contributions, or other payments), unless the provider is a **parent, subsidiary**, or affiliate of the investor that is required to be included in the same set of **consolidated financial statements** as the investor
 4. Does not include amounts financed for the equity investor (for example, by loans or guarantees of loans) directly by the legal entity or by other parties involved with the legal entity, unless that party is a parent, subsidiary, or affiliate of the investor that is required to be included in the same set of consolidated financial statements as the investor. [FIN 46(R), paragraph 5, sequence 89]

Paragraphs 810-10-25-45 through ~~25-47~~ **25-46** {change made in current and pending text} discuss the amount of the total equity

investment at risk that is necessary to permit a legal entity to finance its activities without additional subordinated financial support.

- b. As a group the holders of the equity investment at risk lack any one of the following three characteristics of a controlling financial interest:

1. The power, direct or indirect ability through voting rights or similar rights, to make decisions about a legal entity's direct the activities of that have a significant effect on the success of the legal entity that most significantly impact the entity's economic performance. The investors do not have that ability-power through voting rights or similar rights if no **owners** hold voting rights or similar rights (such as those of a common shareholder in a corporation or a general partner in a partnership). Legal entities that are not controlled by the holder of a majority voting interest because of minority veto rights as discussed in paragraphs 810-10-25-2 through 25-14 are not VIEs if the shareholders as a group have the power to control the entity and the equity investment meets the other requirements of the Variable Interest Entities Subsections. **Kick-out right or participating right held by the holders of the equity investment at risk shall not prevent interests other than the equity investment from having this characteristic unless a single equity holder (including its related parties and de facto agents) has the unilateral ability to exercise such rights. Alternatively, interests other than the equity investment at risk that provide the holders of those interests with kick-out rights or participating rights shall not prevent the equity holders from having this characteristic unless a single reporting entity (including its related parties and de facto agents) has the unilateral ability to exercise those rights. A decision maker also shall not prevent the equity holders from having this characteristic unless the fees paid to the decision maker represent a variable interest based on paragraphs 810-10-55-37 through 55-38. [FIN 46(R), paragraph 5, sequence 94.1]**
2. The obligation to absorb the **expected losses** of the legal entity. The investor or investors do not have that obligation if they are directly or indirectly protected from the expected losses or are guaranteed a return by the legal entity itself or by other parties involved with the legal entity. See paragraphs 810-10-25-55 through 25-56 and Example 1 (see paragraph 810-10-55-42) for a discussion of expected losses.
3. The right to receive the **expected residual returns** of the legal entity. The investors do not have that right if their return is capped by the legal entity's governing documents or arrangements with other variable interest holders or the legal entity. For this purpose, the return to equity investors is not considered to be capped by the existence of outstanding stock options, convertible debt, or similar

interests because if the options in those instruments are exercised, the holders will become additional equity investors.

~~The objective of this provision is to identify as VIEs those legal entities in which the total equity investment at risk does not provide the holders of that investment with the characteristics of a controlling financial interest. If interests other than the equity investment at risk provide the holders of that investment with these the characteristics of a controlling financial interest or if interests other than the equity investment at risk prevent the equity holders from having these the necessary characteristics, the entity is a VIE.~~

- c. The equity investors as a group also are considered to lack the characteristic in (b)(1) if both of the following conditions are present:
 1. The voting rights of some investors are not proportional to their obligations to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both.
 2. Substantially all of the legal entity's activities (for example, providing financing or buying assets) either involve or are conducted on behalf of an investor that has disproportionately few voting rights. [FIN 46(R), paragraph 5, sequence 99.1.2.2] This provision is necessary to prevent a **primary beneficiary** from avoiding consolidation of a VIE by organizing the legal entity with nonsubstantive voting interests. Activities that involve or are conducted on behalf of the related parties of an investor with disproportionately few voting rights shall be treated as if they involve or are conducted on behalf of that investor. The term *related parties* in this paragraph refers to all parties identified in paragraph 810-10-25-43, except for de facto agents under paragraph 810-10-25-43(d) ~~810-10-25-43(d)(1)~~.

For purposes of applying this requirement, reporting entities shall consider each party's obligations to absorb expected losses and rights to receive expected residual returns related to all of that party's interests in the legal entity and not only to its equity investment at risk.

810-10-15-15 Portions of legal entities or aggregations of assets within a **legal entity** shall not be treated as separate entities for purposes of applying the Variable Interest Entities Subsections unless the entire entity is a VIE. Some examples are divisions, departments, branches, and pools of assets subject to liabilities that give the creditor no recourse to other assets of the entity. Majority-owned subsidiaries are legal entities separate from their parents that are subject to the Variable Interest Entities Subsections and may be VIEs.

810-10-15-16 Because reconsideration of whether a legal entity is subject to the Variable Interest Entities Subsections is required only in certain circumstances, the initial application to a legal entity that is in the development stage is very

important. [FIN 46(R), paragraph 11, sequence 115.1] Guidelines for identifying a **development stage entity** appear in paragraph 915-10-05-2. A development stage entity is a VIE if it meets any of the conditions in paragraph 810-10-15-14. A development stage entity does not meet the condition in paragraph 810-10-15-14(a) if it can be demonstrated that the equity invested in the legal entity is sufficient to permit it to finance the activities it is currently engaged in (for example, if the legal entity has already obtained financing without additional subordinated financial support) and provisions in the legal entity's governing documents and contractual arrangements allow additional equity investments. However, sufficiency of the equity investment should be reconsidered as required by paragraph 810-10-35-4, for example, if the legal entity undertakes additional activities or acquires additional assets.

8. Amend paragraph 810-10-15-17, with a link to transition paragraph 810-10-65-2, as follows:

810-10-15-17 The following exceptions to the Variable Interest Entities Subsections apply to all legal {change made to pending content linked to transition paragraph 860-10-65-2 with no effect on transition} entities in addition to the exceptions listed in paragraph 810-10-15-12:

- a. **Not-for-profit entities** (NFPs) are not subject to the Variable Interest Entities Subsections, except that they may be related parties for purposes of applying paragraphs 810-10-25-42 through 25-44. In addition, if an NFP is used by business reporting entities in a manner similar to a VIE in an effort to circumvent the provisions of the Variable Interest Entities Subsections, that NFP shall be subject to the guidance in the Variable Interest Entities Subsections.
- b. Separate accounts of life insurance entities as described in Topic 944 are not subject to consolidation according to the requirements of the Variable Interest Entities Subsections.
- c. A reporting entity with an interest in a VIE or potential VIE created before December 31, 2003, is not required to apply the guidance in the Variable Interest Entities Subsections to that VIE or legal {change made to pending content linked to transition paragraph 860-10-65-2 with no effect on transition} entity if the reporting entity, after making an exhaustive effort, is unable to obtain the information necessary to do any one of the following:
 1. Determine whether the legal entity is a VIE
 2. Determine whether the reporting entity is the VIE's primary beneficiary
 3. Perform the accounting required to consolidate the VIE for which it is determined to be the primary beneficiary.

This inability to obtain the necessary information is expected to be infrequent, especially if the reporting entity participated significantly in

the design or redesign of the legal entity. The scope exception in this provision applies only as long as the reporting entity continues to be unable to obtain the necessary information. ~~Paragraphs 810-10-50-6 (for a nonpublic entity) and 810-10-50-16 (for a public entity) requires~~ require certain disclosures to be made about interests in legal entities VIEs subject to this provision. Paragraphs 810-10-30-7 through 30-9 provide transition guidance for a reporting entity that subsequently obtains the information necessary to apply the Variable Interest Entities Subsections to a legal entity VIE subject to this exception.

- d. An entity that is deemed to be a **business** need not be evaluated by a reporting entity to determine if the legal entity is a VIE under the requirements of the Variable Interest Entities Subsections unless any of the following conditions exist (however, for legal entities that are excluded by this provision, other generally accepted accounting principles [GAAP] should be applied):
 1. The reporting entity, its related parties (all parties identified in paragraph 810-10-25-43, except for de facto agents under paragraph ~~810-10-25-43(d)~~ 810-10-25-43(d)(1)), or both participated significantly in the design or redesign of the legal entity. However, this condition does not apply if the legal entity is an operating joint venture under joint control of the reporting entity and one or more independent parties or a franchisee.
 2. The legal entity is designed so that substantially all of its activities either involve or are conducted on behalf of the reporting entity and its related parties.
 3. The reporting entity and its related parties provide more than half of the total of the equity, subordinated debt, and other forms of subordinated financial support to the legal entity based on an analysis of the fair values of the interests in the legal entity.
 4. The activities of the legal entity are primarily related to securitizations or other forms of asset-backed financings or single-lessee leasing arrangements.

A legal entity that previously was not evaluated to determine if it was a VIE because of this provision need not be evaluated in future periods as long as the legal entity continues to meet the conditions in (d).

> Transactions

810-10-15-20 The guidance in the Consolidation of Entities Controlled by Contract Subsections applies, in part, to contractual management arrangements with both of the following characteristics:

- a. Relationships between entities that operate in the health care industry including the practices of medicine, dentistry, veterinary science, and

- chiropractic medicine (for convenience, entities engaging in these practices are collectively referred to as physician practices)
- b. Relationships in which the physician practice management entity does not own the majority of the outstanding voting equity instruments of the physician practice, whether because the physician practice management entity is precluded by law from owning those equity instruments or because the physician practice management entity has elected not to own those equity instruments.

As stated in the preceding paragraph, there may be industries other than the health care industry in which a contractual management arrangement is established under circumstances similar to those addressed in the Consolidation of Entities Controlled by Contract Subsections.

9. Amend paragraph 810-10-15-21, with no link to a transition paragraph, as follows:

810-10-15-21 A physician practice management entity can establish a controlling financial interest in a physician practice through contractual management arrangements. Specifically, a controlling financial interest exists if, for a requisite period of time, the physician practice management entity has control over the physician practice and has a financial interest in the physician practice that meets all six of the requirements listed in the following paragraph. That paragraph contains guidance that describes how those six requirements are to be applied. Paragraph ~~810-10-55-206~~ ~~810-10-55-90~~ contains a decision tree illustrating the basic analysis called for by both the six requirements and the presumptive, but not the other, interpretive guidance.

810-10-15-22 If all of the following requirements are met, then the physician practice management entity has a controlling financial interest in the physician practice:

- a. Term. The contractual arrangement between the physician practice management entity and the physician practice has both of the following characteristics:
 - 1. Has a term that is either the entire remaining legal life of the physician practice entity or a period of 10 years or more
 - 2. Is not terminable by the physician practice except in the case of gross negligence, fraud, or other illegal acts by the physician practice management entity, or bankruptcy of the physician practice management entity.
- b. Control. The physician practice management entity has exclusive authority over all decision making related to both of the following:
 - 1. Ongoing, major, or central operations of the physician practice, except for the dispensing of medical services. This must include

exclusive decision-making authority over scope of services, patient acceptance policies and procedures, pricing of services, negotiation and execution of contracts, and establishment and approval of operating and capital budgets. This authority also must include exclusive decision-making authority over issuance of debt if debt financing is an ongoing, major, or central source of financing for the physician practice.

2. Total practice compensation of the licensed medical professionals as well as the ability to establish and implement guidelines for the selection, hiring, and firing of them.
- c. Financial interest. The physician practice management entity must have a significant financial interest in the physician practice that meets both of the following criteria:
 1. Is unilaterally saleable or transferable by the physician practice management entity
 2. Provides the physician practice management entity with the right to receive income, both as ongoing fees and as proceeds from the sale of its interest in the physician practice, in an amount that fluctuates based on the performance of the operations of the physician practice and the change in the fair value thereof.

Term, control, financial interest, and so forth are further described in paragraphs 810-10-25-63 through 25-79.

10. Add new Master Glossary terms *Kick-out Rights*, *Participating Rights*, and *Protective Rights*, and amend term *Primary Beneficiary*, with a link to transition paragraph 810-10-65-2, as follows:

Kick-out Rights

The ability to remove the reporting entity with the power to direct the activities of a VIE that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph 14C, sequence 121.5.1.1]

Participating Rights

The ability to block the actions through which a reporting entity exercises the power to direct the activities of a VIE that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph 14C, sequence 121.5.1.3]

Primary Beneficiary

An entity that consolidates a variable interest entity (VIE). See paragraphs 810-10-25-38 through ~~25-38G25-44~~ for guidance on determining the primary beneficiary.

Protective Rights

Rights designed to protect the interests of the party holding those rights without giving that party a controlling financial interest in the entity to which they relate. For example, they include any of the following: [FIN 46(R), paragraph 14C, sequence 121.5.3]

- a. Approval or veto rights granted to other parties that do not affect the activities that most significantly impact the entity's economic performance. Protective rights often apply to fundamental changes in the activities of an entity or apply only in exceptional circumstances. Examples include both of the following: [FIN 46(R), paragraph 14C, sequence 121.5.3.1]
 1. A lender might have rights that protect the lender from the risk that the entity will change its activities to the detriment of the lender, such as selling important assets or undertaking activities that change the credit risk of the entity. [FIN 46(R), paragraph 14C, sequence 121.5.3.1.1]
 2. Other interests might have the right to approve a capital expenditure greater than a particular amount or the right to approve the issuance of equity or debt instruments. [FIN 46(R), paragraph 14C, sequence 121.5.3.1.2]
- b. The ability to remove the reporting entity that has a controlling financial interest in the entity in circumstances such as bankruptcy or on breach of contract by that reporting entity. [FIN 46(R), paragraph 14C, sequence 121.5.3.2]

- c. Limitations on the operating activities of an entity. For example, a franchise agreement for which the entity is the franchisee might restrict certain activities of the entity but may not give the franchisor a controlling financial interest in the franchisee. Such rights may only protect the brand of the franchisor. [FIN 46(R), paragraph 14C, sequence 121.5.3.3]

11. Amend paragraph 810-10-25-21, with a link to transition paragraph 810-10-65-2, as follows:

Consolidation—Overall—Recognition

810-10-25-20 This Subsection addresses various transactional considerations in determining whether a **legal entity** is a **variable interest entity (VIE)** and would need to be consolidated by the reporting entity, specifically:

- a. Determining the variability to be considered
- b. Initial involvement with a legal entity
- c. Consolidation based on **variable interests**
 - 1. The effect of related parties
 - 2. Sufficiency of equity at risk
 - 3. Implicit variable interests
 - 4. Variable interest and interests in specific assets of a VIE.

> Determining the Variability to Be Considered

810-10-25-21 The variability that is considered in applying the Variable Interest Entities Subsections affects the determination of all of the following:

- a. Whether the legal entity is a VIE
- b. Which interests are variable interests in the legal entity
- c. Which party, if any, is the **primary beneficiary** of the VIE.

That variability will affect any calculation of **expected losses and expected residual returns**, if such a calculation is necessary. Paragraph 810-10-25-38A provides guidance on the use of a quantitative approach associated with expected losses and expected residual returns in connection with determining which party is the primary beneficiary.

12. Amend paragraphs 810-10-25-22 and 810-10-25-36, with no link to a transition paragraph, as follows:

810-10-25-22 The variability to be considered in applying the Variable Interest Entities Subsections shall be based on an analysis of the design of the legal entity as outlined in the following steps:

- a. Step 1: Analyze the nature of the risks in the legal entity (see paragraphs 810-10-25-24 through 25-25).
- b. Step 2: Determine the purpose(s) for which the legal entity was created and determine the variability (created by the risks identified in Step 1) the legal entity is designed to create and pass along to its interest holders (see paragraphs 810-10-25-26 through ~~25-36~~36).

810-10-25-36 If the changes in the fair value or cash flows of the derivative instrument are expected to offset all, or essentially all, of the risk or return (or both) related to a majority of the assets (excluding the derivative instrument) or operations of the legal entity, the design of the legal entity will need to be analyzed further to determine whether that instrument should be considered a creator of variability or a variable interest. For example, if a written call or put option or a total return swap that has the characteristics in (a) and (b) in the preceding paragraph relates to the majority of the assets owned by a legal entity, the design of the legal entity will need to be analyzed further (see paragraphs 810-10-25-21 through 25-29) to determine whether that instrument should be considered a creator of variability or a variable interest.

13. Amend paragraphs 810-10-25-37 through 25-38, with a link to transition paragraph 810-10-65-2, as follows:

> Initial Involvement with a Legal Entity

810-10-25-37 The initial determination of whether a legal entity is a VIE shall be made on the date at which a reporting entity becomes involved with the legal entity. For purposes of the Variable Interest Entities Subsections, involvement with a legal entity refers to ownership, contractual, or other pecuniary interests that may be determined to be variable interests. That determination shall be based on the circumstances on that date including future changes that are required in existing governing documents and existing contractual arrangements. ~~A reporting entity is not required to determine whether a legal entity with which it is involved is a VIE if it is apparent that the reporting entity's interest would not be a significant variable interest and if the reporting entity, its related parties, and its de facto agents (as described in paragraph 810-10-25-43) did not participate significantly in the design or redesign of the legal entity.~~

> Consolidation Based on Variable Interests

810-10-25-38 A reporting entity shall consolidate a VIE ~~if when~~ that reporting entity has a variable interest (or combination of variable interests) that provides the reporting entity with a controlling financial interest on the basis of the provisions in paragraphs 810-10-25-38A through 25-38G. The reporting entity that consolidates a VIE is called the primary beneficiary of that VIE, will absorb a majority of the VIE's expected losses, receive a majority of the VIE's **expected residual returns**, or both. A reporting entity shall consider the rights and obligations conveyed by its variable interests and the relationship of its variable interests with variable interests held by other parties to determine whether its variable interests will absorb a majority of a VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. [FIN 46(R), paragraph 14, sequence 121.1] ~~If one reporting entity will absorb a majority of a VIE's expected losses and another reporting entity will receive a majority of that VIE's expected residual returns, the reporting entity absorbing a majority of the losses shall consolidate the VIE.~~

14. Add paragraphs 810-10-25-38A through 25-38G, with a link to transition paragraph 810-10-65-2, as follows:

810-10-25-38A A reporting entity with a variable interest in a VIE shall assess whether the reporting entity has a controlling financial interest in the VIE and, thus, is the VIE's primary beneficiary. This shall include an assessment of the characteristics of the reporting entity's variable interest(s) and other involvements (including involvement of related parties and de facto agents), if any, in the VIE, as well as the involvement of other variable interest holders. Paragraph 810-10-25-43 provides guidance on related parties and de facto agents. Additionally, the assessment shall consider the VIE's purpose and design, including the risks that the VIE was designed to create and pass through to its variable interest holders. A reporting entity shall be deemed to have a controlling financial interest in a VIE if it has both of the following characteristics: [FIN 46(R), paragraph 14A, sequence 121.3]

- a. The power to direct the activities of a VIE that most significantly impact the VIE's economic performance [FIN 46(R), paragraph 14A, sequence 121.3.1]
- b. The obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The quantitative approach described in the definitions of the terms **expected losses**, **expected residual returns**, and **expected variability** is not required and shall not be the sole determinant as to whether a reporting entity has these obligations or rights. [FIN 46(R), paragraph 14A, sequence 121.3.2]

Only one reporting entity, if any, is expected to be identified as the primary beneficiary of a VIE. Although more than one reporting entity could have the characteristic in (b) of this paragraph, only one reporting entity if any, will have the power to direct the activities of a VIE that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph 14A, sequence 121.3.3]

810-10-25-38B A reporting entity must identify which activities most significantly impact the VIE's economic performance and determine whether it has the power to direct those activities. A reporting entity's ability to direct the activities of an entity when circumstances arise or events happen constitutes power if that ability relates to the activities that most significantly impact the economic performance of the VIE. A reporting entity does not have to exercise its power in order to have power to direct the activities of a VIE. [FIN 46(R), paragraph 14B, sequence 121.4]

810-10-25-38C A reporting entity's determination of whether it has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance shall not be affected by the existence of **kick-out rights** or **participating rights** unless a single reporting entity (including its related parties and de facto agents) has the unilateral ability to exercise those kick-out rights or participating rights. A single reporting entity (including its related parties and de facto agents) that has the unilateral ability to exercise kick-out rights or participating rights may be the party with the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance. [FIN 46(R), paragraph 14C, sequence 121.5.1] These requirements related to kick-out rights and participating rights are limited to this particular analysis and are not applicable to transactions accounted for under other authoritative guidance. [FIN 46(R), paragraph 14C, sequence 121.5.1.2] **Protective rights** held by other parties do not preclude a reporting entity from having the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance. [FIN 46(R), paragraph 14C, sequence 121.5.2]

810-10-25-38D If a reporting entity determines that power is, in fact, shared among multiple unrelated parties such that no one party has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, then no party is the primary beneficiary. Power is shared if two or more unrelated parties together have the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and if decisions about those activities require the consent of each of the parties sharing power. If a reporting entity concludes that power is not shared but the activities that most significantly impact the VIE's economic performance are directed by multiple unrelated parties and the nature of the activities that each party is directing is the same, then the party, if any, with the power over the majority of those activities

shall be considered to have the characteristic in paragraph 810-10-25-38A(a). [FIN 46(R), paragraph 14D, sequence 121.5.4]

810-10-25-38E If the activities that impact the VIE's economic performance are directed by multiple unrelated parties, and the nature of the activities that each party is directing is not the same, then a reporting entity shall identify which party has the power to direct the activities that most significantly impact the VIE's economic performance. One party will have this power, and that party shall be deemed to have the characteristic in paragraph 810-10-25-38A(a). [FIN 46(R), paragraph 14E, sequence 121.5.5]

810-10-25-38F Although a reporting entity may be significantly involved with the design of a VIE, that involvement does not, in isolation, establish that reporting entity as the entity with the power to direct the activities that most significantly impact the economic performance of the VIE. However, that involvement may indicate that the reporting entity had the opportunity and the incentive to establish arrangements that result in the reporting entity being the variable interest holder with that power. For example, if a sponsor has an explicit or implicit financial responsibility to ensure that the VIE operates as designed, the sponsor may have established arrangements that result in the sponsor being the entity with the power to direct the activities that most significantly impact the economic performance of the VIE. [FIN 46(R), paragraph 14F, sequence 121.5.6]

810-10-25-38G Consideration shall be given to situations in which a reporting entity's economic interest in a VIE, including its obligation to absorb losses or its right to receive benefits, is disproportionately greater than its stated power to direct the activities of a VIE that most significantly impact the VIE's economic performance. Although this factor is not intended to be determinative in identifying a primary beneficiary, the level of a reporting entity's economic interest may be indicative of the amount of power that reporting entity holds. [FIN 46(R), paragraph 14G, sequence 121.5.7]

15. Supersede paragraphs 810-10-25-39 through 25-41, with a link to transition paragraph 810-10-65-2, as follows:

810-10-25-39 ~~The reporting entity that consolidates a VIE is called the primary beneficiary of that VIE. A reporting entity shall determine whether it is the primary beneficiary of a VIE at the time the reporting entity becomes involved with the VIE. A reporting entity with an interest in a VIE shall reconsider whether it is the primary beneficiary of the VIE if the VIE's governing documents or contractual arrangements are changed in a manner that reallocates either of the following between the existing primary beneficiary and other unrelated parties:~~

- ~~a. The obligation to absorb the expected losses of the VIE~~

- b. ~~The right to receive the expected residual returns of the VIE.~~

~~The primary beneficiary also shall reconsider its initial decision to consolidate a VIE if the primary beneficiary sells or otherwise disposes of all or part of its variable interests to unrelated parties or if the VIE issues new variable interests to parties other than the primary beneficiary or the primary beneficiary's related parties. Paragraph superseded by Accounting Standards Update 2009-17.~~

810-10-25-40 ~~A holder of a variable interest that is not the primary beneficiary also shall reconsider whether it is the primary beneficiary of a VIE if that reporting entity acquires additional variable interests in the VIE. Paragraph superseded by Accounting Standards Update 2009-17.~~

810-10-25-41 ~~A troubled debt restructuring, as defined in paragraphs 310-40-15-5 and 470-60-15-5, shall be accounted for in accordance with Subtopic 310-40 or 470-60 and is not an event that requires the reconsideration of whether a reporting entity is the primary beneficiary of the VIE. Paragraph superseded by Accounting Standards Update 2009-17.~~

> > The Effect of Related Parties

810-10-25-42 For purposes of determining whether it is the primary beneficiary of a VIE, a reporting entity with a variable interest shall treat variable interests in that same VIE held by its related parties as its own interests. [FIN 46(R), paragraph 16, sequence 123.1]

16. Amend paragraphs 810-10-25-43 through 25-44, with a link to transition paragraph 810-10-65-2, as follows:

810-10-25-43 For purposes of the Variable Interest Entities Subsections, the term *related parties* includes those parties identified in Topic 850 and certain other parties that are acting as de facto agents or de facto principals of the variable interest holder. All of the following are considered to be de facto agents of a reporting entity:

- a. A party that cannot finance its operations without **subordinated financial support** from the reporting entity, for example, another VIE of which the reporting entity is the primary beneficiary
- b. A party that received its interests as a contribution or a loan from the reporting entity
- c. An officer, employee, or member of the governing board of the reporting entity

- d. A party that has ~~either of the following: an agreement that it cannot sell, transfer, or encumber its interests in the VIE without the prior approval of the reporting entity. [FIN 46(R), paragraph 16, sequence 127.2.1]~~ The right of prior approval creates a de facto agency relationship only if that right could constrain the other party's ability to manage the economic risks or realize the economic rewards from its interests in a VIE through the sale, transfer, or encumbrance of those interests. However, a de facto agency relationship does not exist if both the reporting entity and the party have right of prior approval and the rights are based on mutually agreed terms by willing, independent parties. [FIN 46(R), paragraph 16, sequence 127.2.2.1]
1. ~~An agreement that it cannot sell, transfer, or encumber its interests in the VIE without the prior approval of the reporting entity. Subparagraph superseded by Accounting Standards Update 2009-17.~~
 2. ~~A close business relationship like the relationship between a professional service provider and one of its significant clients. Subparagraph superseded by Accounting Standards Update 2009-17.~~
- ~~The right of prior approval creates a de facto agency relationship only if that right could constrain the other party's ability to manage the economic risks or realize the economic rewards from its interests in a VIE through the sale, transfer, or encumbrance of those interests.~~
- e. A party that has a close business relationship like the relationship between a professional service provider and one of its significant clients. [FIN 46(R), paragraph 16, sequence 127.3]

810-10-25-44 In situations in which a reporting entity concludes that neither it nor one of its related parties has the characteristics in paragraph 810-10-25-38A but, as a group, the reporting entity and its related parties [FIN 46(R), paragraph 16, sequence 127.4] ~~If two or more related parties (including the de facto agents described in the preceding paragraph) have those characteristics, hold variable interests in the same VIE, and the aggregate variable interest held by those parties would, if held by a single party, identify that party as the primary beneficiary, then the party within the related party group that is most closely associated with the VIE is the primary beneficiary. The determination of which party within the related party group is most closely associated with the VIE requires judgment and shall be based on an analysis of all relevant facts and circumstances, including all of the following:~~

- a. The existence of a principal-agency relationship between parties within the related party group
- b. The relationship and significance of the activities of the VIE to the various parties within the related party group

- c. A party's exposure to the ~~expected losses~~ variability associated with the anticipated economic performance of the VIE
- d. The design of the VIE.

> > Implicit Variable Interests

810-10-25-48 Implicit variable interests commonly arise in leasing arrangements among related parties, and in other types of arrangements involving related parties and unrelated parties.

810-10-25-49 The following guidance addresses whether a reporting entity should consider whether it holds an implicit variable interest in a VIE or potential VIE if specific conditions exist.

810-10-25-50 The identification of variable interests (implicit and explicit) may affect the following:

- a. The determination as to whether the potential VIE shall be considered a VIE
- b. The calculation of expected losses and residual returns
- c. The determination as to which party, if any, is the primary beneficiary of the VIE.

Thus, identifying whether a reporting entity holds a variable interest in a VIE or potential VIE is necessary to apply the provisions of the guidance in the Variable Interest Entities Subsections.

810-10-25-51 An implicit variable interest is an implied pecuniary interest in a VIE that changes with changes in the fair value of the VIE's net assets exclusive of variable interests. Implicit variable interests may arise from transactions with related parties, as well as from transactions with unrelated parties.

810-10-25-52 The identification of explicit variable interests involves determining which contractual, ownership, or other pecuniary interests in a legal entity directly absorb or receive the variability of the legal entity. An implicit variable interest acts the same as an explicit variable interest except it involves the absorbing and (or) receiving of variability indirectly from the legal entity, rather than directly from the legal entity. Therefore, the identification of an implicit variable interest involves determining whether a reporting entity may be indirectly absorbing or receiving the variability of the legal entity. The determination of whether an implicit variable interest exists is a matter of judgment that depends on the relevant facts and circumstances. For example, an implicit variable interest may exist if the reporting entity can be required to protect a variable interest holder in

a legal entity from absorbing losses incurred by the legal entity. See Example 4 (paragraph 810-10-55-87) for an illustration of this guidance.

17. Amend paragraphs 810-10-25-53 through 25-54, with a link to transition paragraph 810-10-65-2, as follows:

810-10-25-53 The significance of a reporting entity's involvement or interest shall not be considered in determining whether the reporting entity holds an implicit variable interest in the legal entity. ~~Rather, the significance of the reporting entity's variable interest(s) (including its implicit variable interests as well as other variable interests held by the reporting entity and its related parties) shall be considered, if the legal entity is a VIE, in determining whether the reporting entity is the primary beneficiary.~~ There are transactions in which a reporting entity has an interest in, or other involvement with, a VIE or potential VIE that is not considered a variable interest, and the reporting entity's related party holds a variable interest in the same VIE or potential VIE. A reporting entity's interest in, or other pecuniary involvement with, a VIE may take many different forms such as a lessee under a leasing arrangement or a party to a supply contract, service contract, or derivative contract.

810-10-25-54 The reporting entity shall consider whether it holds an implicit variable interest in the VIE or potential VIE. The determination of whether an implicit variable interest exists shall be based on all facts and circumstances in determining whether the reporting entity may absorb variability of the VIE or potential VIE. A reporting entity that holds an implicit variable interest in a VIE and is a related party to other variable interest holders shall apply the guidance in paragraph 810-10-25-44 to determine whether it is the primary beneficiary of the VIE. That is, if the aggregate variable interests held by the reporting entity (both implicit and explicit variable interests) and its related parties would, if held by a single party, identify that party as the primary beneficiary, then the party within the related party group that is most closely associated with the VIE is the primary beneficiary. The guidance in paragraphs 810-10-25-48 through 25-54 applies to related parties as defined in paragraph 810-10-25-43. For example, the guidance in paragraphs 810-10-25-48 through 25-54 applies to any of the following situations:

- a. A reporting entity and a VIE are under common control.
- b. A reporting entity has an interest in, or other involvement with, a VIE and an officer of that reporting entity has a variable interest in the same VIE.
- c. A reporting entity enters into a contractual arrangement with an unrelated third party that has a variable interest in a VIE and that arrangement establishes a related party relationship.

18. Amend paragraphs 810-10-30-7 through 30-8, with a link to transition paragraph 810-10-65-2, as follows:

Consolidation—Overall—Initial Measurement

> Initial Consolidation when Earlier Consolidation Was Prevented Due to Lack of Information

810-10-30-7 A reporting entity that has not applied the Variable Interest Entities Subsections to a **legal entity** because of the condition described in paragraph 810-10-15-17(c) and that subsequently obtains the information necessary to apply the Variable Interest Entities Subsections to that entity shall apply the provisions of the Variable Interest Entities Subsections as of the date the information is acquired in accordance with the following paragraph. ~~Restatement in accordance with paragraph 810-10-30-9 is encouraged but not required.~~ **[FAS 167, paragraph 10, sequence 10]**

~~**810-10-30-8** The consolidating entity shall initially measure the assets, liabilities, and noncontrolling interests of the VIE at their carrying amounts at the date the requirements of the Variable Interest Entities Subsections first apply. The initial measurement by a consolidating entity of the assets, liabilities, and noncontrolling interests of the VIE at the date the requirements of the Variable Interest Entities Subsections first apply depends on whether the determination of their carrying amounts is practicable. In this context, *carrying amounts* ~~carrying amounts~~ refers to the amounts at which the assets, liabilities, and noncontrolling interests would have been carried in the consolidated financial statements if the Variable Interest Entities Subsections had been effective when the reporting entity first met the conditions to be the primary beneficiary. If determining the carrying amounts is not practicable, the assets, liabilities, and noncontrolling interests of the VIE shall be measured at fair value at the date the Variable Interest Entities Subsections first apply. Any difference between the net amount added to the balance sheet of the consolidating entity and the amount of any previously recognized interest in the newly consolidated VIE shall be recognized as the cumulative effect of an accounting change. **[FAS 167, paragraph 5, sequence 5.1]**~~

19. Add paragraphs 810-10-30-8A through 30-8D, with a link to transition paragraph 810-10-65-2, as follows:

810-10-30-8A If determining the carrying amounts is practicable, the consolidating entity shall initially measure the assets, liabilities, and noncontrolling interests of the VIE at their carrying amounts at the date the Variable Interest Entities Subsections first apply. **[FAS 167, paragraph 5, sequence 5.1]**

810-10-30-8B If determining the carrying amounts is not practicable, [FAS 167, paragraph 5, sequence 5.3] the assets, liabilities, and noncontrolling interests of the VIE shall be measured at fair value at the date the Variable Interest Entities Subsections first apply. However, [FAS 167, paragraph 5, sequence 5.2] as an alternative to this fair value measurement requirement, [FAS 167, paragraph 5, sequence 5.5] the assets and liabilities of the VIE may be measured at their unpaid principal balances [FAS 167, paragraph 5, sequence 5.4] at the date the Variable Interest Entities Subsections first apply [FAS 167, paragraph 5, sequence 5.6] if both of the following conditions are met: [author-generated]

- a. The activities of the VIE are primarily related to securitizations or other forms of asset-backed financings. [FAS 167, paragraph 5, sequence 5.3.1]
- b. The assets of the VIE can be used only to settle obligations of the entity. [FAS 167, paragraph 5, sequence 5.3.2]

810-10-30-8C The measurement alternative in the preceding paragraph does not obviate the need for the primary beneficiary to recognize any accrued interest, an allowance for credit losses, or other-than-temporary impairment, as appropriate. Other assets, liabilities, or noncontrolling interests, if any, that do not have an unpaid principal balance, and any items that are required to be carried at fair value under other applicable standards, shall be measured at fair value. [FAS 167, paragraph 5, sequence 5.7]

810-10-30-8D Any difference between the net amount added to the balance sheet of the consolidating entity and the amount of any previously recognized interest in the newly consolidated VIE shall be recognized as a cumulative-effect adjustment to retained earnings. [FAS 167, paragraph 5, sequence 5.8]

20. Amend paragraph 810-10-30-9, with a link to transition paragraph 810-10-65-2, as follows:

810-10-30-9 The Variable Interest Entities Subsections may be applied retrospectively in ~~by restating~~ previously issued financial statements for one or more years with a cumulative-effect adjustment to retained earnings as of the beginning of the first year restated. [FAS 167, paragraph 9, sequence 9]

21. Amend paragraph 810-10-35-4, with a link to transition paragraph 810-10-65-2, as follows:

Consolidation—Overall—Subsequent Measurement

> Reconsideration of Initial Determination of VIE Status

810-10-35-4 A legal entity that previously was not subject to the Variable Interest Entities Subsections shall not become subject to them simply because of losses in excess of its **expected losses** that reduce the equity investment. The initial determination of whether a legal entity is a VIE shall be reconsidered if any of the following occur:

- a. The legal entity's governing documents or contractual arrangements are changed in a manner that changes the characteristics or adequacy of the legal entity's equity investment at risk.
- b. The equity investment or some part thereof is returned to the equity investors, and other interests become exposed to expected losses of the legal entity.
- c. The legal entity undertakes additional activities or acquires additional assets, beyond those that were anticipated at the later of the inception of the entity or the latest reconsideration event, that increase the entity's expected losses.
- d. The legal entity receives an additional equity investment that is at risk, or the legal entity curtails or modifies its activities in a way that decreases its expected losses.
- e. Changes in facts and circumstances occur such that the holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity's economic performance. [FIN 46(R), paragraph 7, sequence 107.1]

22. Supersede paragraph 810-10-35-5, with a link to transition paragraph 810-10-65-2, as follows:

~~**810-10-35-5** A troubled debt restructuring, as defined in paragraphs 310-40-15-5 and 470-60-15-5, shall be accounted for in accordance with Subtopic 310-40 or 470-60 and is not an event that requires the reconsideration of whether the entity involved is a VIE. Paragraph superseded by Accounting Update 2009-17.~~

23. Add Subsection and new paragraph 810-10-45-25, with a link to transition paragraph 810-10-65-2, as follows:

Variable Interest Entities

810-10-45-25 A reporting entity shall present each of the following separately on the face of the statement of financial position: **[FIN 46(R), paragraph 22A, sequence 140.1.1]**

- a. Assets of a consolidated variable interest entity**{Glossary-Variable Interest Entity}** (VIE) that can be used only to settle obligations of the consolidated VIE **[FIN 46(R), paragraph 22A, sequence 140.1.1.1]**
- b. Liabilities of a consolidated VIE for which creditors (or beneficial interest holders) do not have recourse to the general credit of the primary beneficiary. **[FIN 46(R), paragraph 22A, sequence 140.1.1.2]**

24. Supersede paragraph 810-10-50-2A and its related heading, with a link to transition paragraph 810-10-65-2, as follows:

> All Entities within the Scope of Subtopic

810-10-50-2A

Editor's Note: <i>The content of 810-10-50-2A will be superseded upon transition, together with its heading.</i>

> Nonpublic Entities

Paragraph superseded by Accounting Standards Update 2009-17.

Editor's Note: <i>The content of 810-10-50-2A will be included upon transition, together with a change in heading noted below.</i>

> Nonpublic Entities

~~Disclosures a nonpublic entity shall make related to VIEs are organized as follows:~~

- ~~a. Primary beneficiary~~
- ~~b. Holder of a significant variable interest in a VIE~~
- ~~c. Relation to Topic 860 disclosures~~
- ~~d. Scope related disclosures.~~

25. Add paragraphs 810-10-50-2AA through 50-2AC, with a link to transition paragraph 810-10-65-2, as follows:

810-10-50-2AA The principal objectives of this Subsection's required disclosures are to provide financial statement users with an understanding of all of the following: **[FIN 46(R), paragraph 22B, sequence 140.2.1]**

- a. The significant judgments and assumptions made by a reporting entity in determining whether it must do any of the following: **[FIN 46(R), paragraph 22B, sequence 140.2.1.1]**
 1. Consolidate a variable interest entity {Glossary-Variable Interest Entity}(VIE) **[FIN 46(R), paragraph 22B, sequence 140.2.1.1.1]**
 2. Disclose information about its involvement in a VIE. **[FIN 46(R), paragraph 22B, sequence 140.2.1.1.2]**
- b. The nature of restrictions on a consolidated VIE's assets reported by a reporting entity in its statement of financial position, including the carrying amounts of such assets and liabilities. **[FIN 46(R), paragraph 22B, sequence 140.2.1.2]**
- c. The nature of, and changes in, the risks associated with a reporting entity's involvement with the VIE. **[FIN 46(R), paragraph 22B, sequence 140.2.1.3]**
- d. How a reporting entity's involvement with the VIE affects the reporting entity's financial position, financial performance, and cash flows. **[FIN 46(R), paragraph 22B, sequence 140.2.1.4]**

810-10-50-2AB A reporting entity shall consider the overall objectives in the preceding paragraph in providing the disclosures required by this Subsection. To achieve those objectives, a reporting entity may need to supplement the disclosures otherwise required by this Subsection, depending on the facts and circumstances surrounding the VIE and a reporting entity's interest in that VIE. **[FIN 46(R), paragraph 22B, sequence 140.2.1.5]**

810-10-50-2AC The disclosures required by this Subsection may be provided in more than one note to the financial statements, as long as the objectives in paragraph 810-10-50-2AA are met. If the disclosures are provided in more than one note to the financial statements, the reporting entity shall provide a cross reference to the other notes to the financial statements that provide the disclosures prescribed in this Subsection for similar entities. **[FIN 46(R), paragraph 25, sequence 150.1]**

26. Amend the level of subordination for the following heading, amend the heading, and amend paragraph 810-10-50-3, with a link to transition paragraph 810-10-65-2, as follows:

> >Primary Beneficiary of a VIE

810-10-50-3 The **primary beneficiary** of a ~~variable interest entity (VIE)~~ VIE that is a **business** shall provide the disclosures required by ~~other guidance~~ Topic 805. The primary beneficiary of a VIE that is not a business shall disclose the amount of gain or loss recognized on the initial consolidation of the VIE. In addition to disclosures required elsewhere in this Topic, the primary beneficiary of a VIE shall disclose all of the following (unless the primary beneficiary also holds a majority voting interest):

- a. ~~The nature, purpose, size, and activities of the VIE~~ Subparagraph superseded by Accounting Standards Update 2009-17.
- b. ~~The carrying amount and classification of consolidated assets that are collateral for the VIE's obligations~~ Subparagraph superseded by Accounting Standards Update 2009-17.
- bb. The carrying amounts and classification of the VIE's assets and liabilities in the statement of financial position that are consolidated in accordance with the Variable Interest Entities Subsections, including qualitative information about the relationship(s) between those assets and liabilities. For example, if the VIE's assets can be used only to settle obligations of the VIE, the reporting entity shall disclose qualitative information about the nature of the restrictions on those assets. [FIN 46(R), paragraph 23A, sequence 143.1]
- c. Lack of recourse if creditors (or beneficial interest holders) of a consolidated VIE have no recourse to the general credit of the primary ~~beneficiary~~ beneficiary. [FIN 46(R), paragraph 23A, sequence 144.1]
- d. Terms of arrangements, giving consideration to both explicit arrangements and implicit variable interests that could require the reporting entity to provide financial support (for example, liquidity arrangements and obligations to purchase assets) to the VIE, including events or circumstances that could expose the reporting entity to a loss. [FIN 46(R), paragraph 23A, sequence 145.1]

A VIE may issue voting equity interests, and the entity that holds a majority voting interest also may be the primary beneficiary of the VIE. If so, and if the VIE meets the definition of a **business** and the VIE's assets can be used for purposes other than the settlement of the VIE's obligations, the disclosures in this paragraph are not required. **[FIN 46(R), paragraph 22E, sequence 104.6.1]**

27. Amend the level of subordination for the following heading, amend the heading, and amend paragraph 810-10-50-4, with a link to transition paragraph 810-10-65-2, as follows:

>-> Nonprimary Beneficiary Holder of a Significant-Variable Interest in a VIE

810-10-50-4 A reporting entity that holds a significant variable interest in a VIE but is not the primary beneficiary shall disclose all the following: In addition to disclosures required by other guidance, a reporting entity that holds a variable interest in a VIE, but is not the VIE's primary beneficiary, shall disclose: [FIN 46(R), paragraph 24, sequence 149.1]

- a. The nature of its involvement with the VIE and when that involvement began. The carrying amounts and classification of the assets and liabilities in the reporting entity's statement of financial position that relate to the reporting entity's variable interest in the VIE. [FIN 46(R), paragraph 24, sequence 149.1.1]
- b. The nature, purpose, size, and activities of the VIE. The reporting entity's maximum exposure to loss as a result of its involvement with the VIE, including how the maximum exposure is determined and the significant sources of the reporting entity's exposure to the VIE. If the reporting entity's maximum exposure to loss as a result of its involvement with the VIE cannot be quantified, that fact shall be disclosed. [FIN 46(R), paragraph 24, sequence 149.1.2]
- c. The reporting entity's maximum exposure to loss as a result of its involvement with the VIE. A tabular comparison of the carrying amounts of the assets and liabilities, as required by (a) above, and the reporting entity's maximum exposure to loss, as required by (b) above. A reporting entity shall provide qualitative and quantitative information to allow financial statement users to understand the differences between the two amounts. That discussion shall include, but is not limited to, the terms of arrangements, giving consideration to both explicit arrangements and implicit variable interests, that could require the reporting entity to provide financial support (for example, liquidity arrangements and obligations to purchase assets) to the VIE, including events or circumstances that could expose the reporting entity to a loss. [FIN 46(R), paragraph 24, sequence 149.1.3]
- d. Information about any liquidity arrangements, guarantees, and/or other commitments by third parties that may affect the fair value or risk of the reporting entity's variable interest in the VIE is encouraged. [FIN 46(R), paragraph 24, sequence 149.1.4]
- e. If applicable, significant factors considered and judgments made in determining that the power to direct the activities of a VIE that most significantly impact the VIE's economic performance is shared in accordance with the guidance in paragraph 810-10-25-38D. [FIN 46(R), paragraph 24, sequence 149.1.5]

28. Amend the level of subordination for the following heading and supersede paragraph 810-10-50-5, with a link to transition paragraph 810-10-65-2, as follows.

>>Relation to Topic 860 Disclosures

~~810-10-50-5 Disclosures required by Topic 860 about a VIE shall be included in the same note to financial statements as the information required by the Variable Interest Entities Subsections. Information about VIEs may be reported in the aggregate for similar entities if separate reporting would not add material information. Paragraph superseded by Accounting Standards Update 2009-17.~~

29. Add paragraphs 810-10-50-5A through 50-5B and the related heading, with a link to transition paragraph 810-10-65-2, as follows:

> Primary Beneficiaries or Other Holders of Interests in VIEs

810-10-50-5A A reporting entity that is a primary beneficiary of a VIE or a reporting entity that holds a variable interest in a VIE but is not the entity's primary beneficiary shall disclose all of the following: [FIN 46(R), paragraph 22E, sequence 104.6]

- a. Its methodology for determining whether the reporting entity is the primary beneficiary of a VIE, including, but not limited to, significant judgments and assumptions made. One way to meet this disclosure requirement would be to provide information about the types of involvements a reporting entity considers significant, supplemented with information about how the significant involvements were considered in determining whether the reporting entity is the primary beneficiary. [FIN 46(R), paragraph 22E, sequence 104.6.1.1]
- b. If facts and circumstances change such that the conclusion to consolidate a VIE has changed in the most recent financial statements (for example, the VIE was previously consolidated and is not currently consolidated), the primary factors that caused the change and the effect on the reporting entity's financial statements. [FIN 46(R), paragraph 22E, sequence 104.6.1.2]
- c. Whether the reporting entity has provided financial or other support (explicitly or implicitly) during the periods presented to the VIE that it was not previously contractually required to provide or whether the reporting entity intends to provide that support, including both of the following: [FIN 46(R), paragraph 22E, sequence 104.6.1.3]
 1. The type and amount of support, including situations in which the reporting entity assisted the VIE in obtaining another type of support [FIN 46(R), paragraph 22E, sequence 104.6.1.3.1]

2. The primary reasons for providing the support. **[FIN 46(R), paragraph 22E, sequence 104.6.1.3.2]**
- d. Qualitative and quantitative information about the reporting entity's involvement (giving consideration to both explicit arrangements and implicit variable interests) with the VIE, including, but not limited to, the nature, purpose, size, and activities of the VIE, including how the VIE is financed. **[FIN 46(R), paragraph 22E, sequence 104.6.1.4]** Paragraphs 810-10-25-48 through 25-54 and Example 4 (see paragraph 810-10-55-87) provide guidance on how to determine whether a reporting entity has an implicit variable interest in a VIE. **[FIN 46(R), paragraph 22E, sequence 104.6.1.4.1]**

810-10-50-5B A VIE may issue voting equity interests, and the entity that holds a majority voting interest also may be the primary beneficiary of the VIE. If so, and if the VIE meets the definition of a **business** and the VIE's assets can be used for purposes other than the settlement of the VIE's obligations, the disclosures in the preceding paragraph are not required. **[FIN 46(R), paragraph 22E, sequence 104.6.1]**

30. Amend the subordination of the following heading, with a link to transition paragraph 810-10-65-2, as follows:

>> Scope-Related Disclosures

810-10-50-6 A reporting entity that does not apply the guidance in the Variable Interest Entities Subsections to one or more VIEs or potential VIEs because of the condition described in paragraph 810-10-15-17(c) shall disclose all the following information:

- a. The number of **legal entities** to which the guidance in the Variable Interest Entities Subsections is not being applied and the reason why the information required to apply this guidance is not available
- b. The nature, purpose, size (if available), and activities of the legal entities and the nature of the reporting entity's involvement with the legal entities
- c. The reporting entity's maximum exposure to loss because of its involvement with the legal entities
- d. The amount of income, expense, purchases, sales, or other measure of activity between the reporting entity and the legal entities for all periods presented. However, if it is not practicable to present that information for prior periods that are presented in the first set of financial statements for which this requirement applies, the information for those prior periods is not required.

31. Supersede paragraphs 810-10-50-7 through 50-8 and their related headings, with a link to transition paragraph 810-10-65-2, as follows:

> Public Entities

810-10-50-7 Paragraph superseded by Accounting Standards Update 2009-17. ~~Disclosures a that public entity shall make about VIEs are organized as follows:~~

- ~~a. Disclosure objectives~~
- ~~b. Aggregation of certain disclosures~~
- ~~c. Public entity that is a primary beneficiary, holds significant variable interest, or is a sponsor~~
- ~~d. The primary beneficiary of a VIE~~
- ~~e. Public entity that holds a significant variable interest or is a sponsor but is not the primary beneficiary~~
- ~~f. Scope-related disclosures~~
- ~~g. Nontransferor sponsor or nontransferor servicer of a qualifying special-purpose entity.~~

>> Disclosure Objectives

810-10-50-8 Paragraph superseded by Accounting Standards Update 2009-17. ~~The principal objectives of this Section's disclosures for public entities are to provide financial statement users with an understanding of all of the following:~~

- ~~a. The significant judgments and assumptions made by a reporting entity in determining whether it must do any of the following:
 - ~~1. Consolidate a VIE~~
 - ~~2. Disclose information about its involvement in a VIE~~~~
- ~~b. The nature of restrictions on a consolidated VIE's assets reported by a reporting entity in its statement of financial position, including the carrying amounts of such assets~~
- ~~c. The nature of, and changes in, the risks associated with a reporting entity's involvement with the VIE~~
- ~~d. How a reporting entity's involvement with the VIE affects the entity's financial position, financial performance, and cash flows.~~

~~A reporting entity shall consider these overall objectives in providing disclosures. To achieve those objectives, a reporting entity may need to supplement the disclosures required in this Section, depending on the facts and circumstances surrounding the VIE and the reporting entity's interest in that VIE.~~

32. Amend paragraphs 810-10-50-9 through 50-10 and change the subordination level of the related heading, with a link to transition paragraph 810-10-65-2, as follows:

>-> Aggregation of Certain Disclosures

810-10-50-9 Disclosures about VIEs may be reported in the aggregate for similar entities if separate reporting would not provide more useful information to financial statement users. A reporting entity shall disclose how similar entities are aggregated and shall distinguish between: ~~[FSP FAS140-4/FIN46(R)-8, paragraph C2, sequence 31.1.1]~~ **[FIN 46(R), paragraph 22C, sequence 104.4.1]**

- a. VIEs that are not consolidated because the reporting entity is not the primary beneficiary but has a ~~significant variable interest or is the sponsor that holds a variable interest~~ ~~[FSP FAS140-4/FIN46(R)-8, paragraph C2, sequence 31.1.1]~~ **[FIN 46(R), paragraph 22C, sequence 104.4.1.1]**
- b. VIEs that are consolidated. ~~[FSP FAS140-4/FIN46(R)-8, paragraph C2, sequence 31.1.2]~~ **[FIN 46(R), paragraph 22C, sequence 104.4.1.2]**

In determining whether to aggregate VIEs, the reporting entity shall consider quantitative and qualitative information about the different risk and reward characteristics of each VIE and the significance of each VIE to the entity. The disclosures shall be presented in a manner that clearly ~~and fully~~ explains to financial statement users the nature and extent of an entity's involvement with VIEs. ~~[FSP FAS140-4/FIN46(R)-8, paragraph C2, sequence 32]~~ **[FIN 46(R), paragraph 22C, sequence 104.4.2]**

810-10-50-10 A reporting entity shall determine, in light of the facts and circumstances, how much detail it shall provide to satisfy ~~this Section's disclosure~~ the requirements of the Variable Interest Entities Subsections, ~~how much emphasis it places on different aspects of the requirements, and~~ A reporting entity shall also determine how it aggregates information to display its overall involvements with VIEs with different risk characteristics. The reporting entity must strike a balance between obscuring important information as a result of too much aggregation and overburdening financial statements with excessive detail that may not assist financial statement users to understand the reporting entity's financial position. For example, a reporting entity shall not obscure important information by including it with a large amount of insignificant detail. Similarly, a reporting entity shall not disclose information that is so aggregated that it obscures important differences between the types of involvement or associated risks. ~~[FSP FAS140-4/FIN46(R)-8, paragraph C3, sequence 33]~~ **[FIN 46(R), paragraph 22D, sequence 104.5]**

33. Supersede paragraphs 810-10-50-11 through 50-19 and their related headings, with a link to transition paragraph 810-10-65-2, as follows:

~~810-10-50-11 Paragraph superseded by Accounting Standards Update 2009-17. The public entity disclosures required in the Variable Interest Entities Subsection of this Section may be provided in more than one note to financial statements, as long as the objectives in paragraph 810-10-50-8 are met. If the disclosures are provided in more than one note to financial statements, the reporting entity shall provide a cross reference to the other notes to financial statements that provide the disclosures prescribed in the Variable Interest Entities Subsection of this Section for similar VIEs.~~

>> Public Entity That Is a Primary Beneficiary, Holds a Significant Variable Interest, or Is a Sponsor

~~810-10-50-12 Paragraph superseded by Accounting Standards Update 2009-17. A public entity that is a primary beneficiary of a VIE, that holds a significant **variable interest** in a VIE but is not the primary beneficiary, or that is a sponsor that holds a variable interest in a VIE shall disclose all of the following:~~

- ~~a. Its methodology for determining whether the reporting entity is (or is not) the primary beneficiary of a VIE, including, but not limited to, significant judgments and assumptions made. One way to meet this disclosure would be to provide information about the types of involvements a reporting entity considers significant, supplemented with information about how the significant involvements were considered in determining whether the reporting entity is, or is not, the primary beneficiary.~~
- ~~b. If the conclusion to consolidate a VIE has changed in the most recent financial statements (for example, the VIE was previously consolidated and is not currently consolidated), the primary factors that caused the change and the effect on the reporting entity's financial statements.~~
- ~~c. Whether the reporting entity has provided financial or other support during the periods presented to the VIE that it was not previously contractually required to provide, including both of the following:
 - ~~1. The type and amount of support, including situations in which the reporting entity assisted the VIE in obtaining another type of support~~
 - ~~2. The primary reasons for providing the support.~~~~
- ~~d. Qualitative and quantitative information about the reporting entity's involvement (giving consideration to both explicit arrangements and implicit variable interests) with the VIE, including, but not limited to, the nature, purpose, size, and activities of the VIE, including how the VIE is financed.~~

810-10-50-13 Paragraph superseded by Accounting Standards Update 2009-17. A VIE may issue voting equity interests, and the reporting entity that holds a majority voting interest also may be the primary beneficiary of the VIE. If so, the disclosures in the preceding paragraph and the following paragraph are required if the activities of the VIE are primarily related to securitizations or other forms of asset backed financings or single lessee leasing arrangements.

>> The Primary Beneficiary of a VIE

810-10-50-14 Paragraph superseded by Accounting Standards Update 2009-17. The primary beneficiary of a VIE that is a business shall provide the disclosures required by Topic 805. The primary beneficiary of a VIE that is not a business shall disclose the amount of gain or loss recognized on the initial consolidation of the VIE. The primary beneficiary of a VIE shall disclose all of the following:

- a. The carrying amount and classification of the VIE's assets and liabilities in the statement of financial position that are consolidated in accordance with the guidance in the Variable Interest Entities Subsections of this Subtopic, including qualitative information about the relationship(s) between those assets and associated liabilities. For example, if the VIE's assets can be used only to settle specific obligations of the VIE, the reporting entity shall disclose qualitative information about the nature of the restrictions on those assets.
- b. Lack of recourse if creditors (or beneficial interest holders) of a consolidated VIE have no recourse to the general credit of the primary beneficiary.
- c. Terms of arrangements, giving consideration to both explicit arrangements and implicit variable interests, that could require the reporting entity to provide financial support (for example, liquidity arrangements and obligations to purchase assets) to the VIE, including events or circumstances that could expose the reporting entity to a loss.

>> Public Entity That Holds a Significant Variable Interest or Is a Sponsor but Is Not the Primary Beneficiary

810-10-50-15 Paragraph superseded by Accounting Standards Update 2009-17. A public entity that holds a significant variable interest or is a sponsor that holds a variable interest in a VIE, but is not the VIE's primary beneficiary, shall disclose all of the following:

- a. The carrying amount and classification of the assets and liabilities in the reporting entity's statement of financial position that relate to the reporting entity's variable interest in the VIE.

- ~~b. The reporting entity's maximum exposure to loss as a result of its involvement with the VIE, including both of the following:

 - ~~1. How the maximum exposure is determined~~
 - ~~2. The significant sources of the reporting entity's exposure to the VIE. If the reporting entity's maximum exposure to loss as a result of its involvement with the VIE cannot be quantified, that fact shall be disclosed.~~~~
- ~~c. A tabular comparison of the carrying amount of the liability (as required by item (a)) and the reporting entity's maximum exposure to loss (as required by item (b)). The reporting entity shall provide qualitative and quantitative information to allow financial statement users to understand the differences between the two amounts. Such discussion shall consider, but is not limited to, the terms of arrangements, giving consideration to both explicit arrangements and implicit variable interests, that could require the reporting entity to provide financial support (for example, liquidity arrangements and obligations to purchase assets) to the VIE, including events or circumstances that could expose the reporting entity to a loss.~~

~~A reporting entity is encouraged to disclose information about any liquidity arrangements, guarantees and/or other commitments by third parties that may affect the fair value or risk of the reporting entity's variable interest in the VIE.~~

>> Scope-Related Disclosures

810-10-50-16 Paragraph superseded by Accounting Standards Update 2009-17. ~~A reporting entity that does not apply the guidance in the Variable Interest Entities Subsections of this Subtopic to one or more VIEs or potential VIEs because of the condition described in paragraph 810-10-15-17(c) shall disclose all of the following information:~~

- ~~a. The number of legal entities to which that guidance is not being applied~~
- ~~b. The reason why the information required to apply that guidance is not available~~
- ~~c. The nature, purpose, size (if available), and activities of the legal entities~~
- ~~d. The nature of the reporting entity's involvement with the legal entities~~
- ~~e. The reporting entity's maximum exposure to loss because of its involvement with the legal entities~~
- ~~f. The amount of income, expense, purchases, sales, or other measure of activity between the reporting entity and the legal entities for all periods presented.~~

>> Nontransferor Sponsor or Nontransferor Servicer of a Qualifying Special Purpose Entity

810-10-50-17 Paragraph superseded by Accounting Standards Update 2009-17. A public entity shall disclose information that provides financial statement users with an understanding of its involvement with the qualifying special purpose entity if that public entity is either of the following:

- a. ~~Nontransferor sponsor. A sponsor that holds a variable interest in a qualifying special purpose entity but was not the transferor (nontransferor entity) of financial assets to the qualifying special purpose entity~~
- b. ~~Nontransferor servicer. A servicer of a qualifying special purpose entity that holds a significant variable interest in the qualifying special purpose entity but was not the transferor (nontransferor) of financial assets to the qualifying special purpose entity.~~

810-10-50-18 Paragraph superseded by Accounting Standards Update 2009-17. Disclosures may be reported in the aggregate for similar entities if separate reporting would not provide more useful information to financial statement users. A reporting entity shall disclose how similar entities are aggregated. In determining whether to aggregate qualifying special purpose entities, the reporting entity should consider quantitative and qualitative information about the different risk and reward characteristics of each qualifying special purpose entity and the importance of each qualifying special purpose entity to the reporting entity.

810-10-50-19 Paragraph superseded by Accounting Standards Update 2009-17. A public entity that is either a nontransferor sponsor (see paragraph 810-10-50-8(a)) or a nontransferor servicer (see paragraph 810-10-50-8(b)) of a qualifying special purpose entity shall disclose all of the following:

- a. ~~The nature, purpose, size, and activities of the qualifying special purpose entity, including how the entity is financed.~~
- b. ~~The carrying amount and classification of the assets and liabilities recognized in the statement of financial position related to the reporting entity's involvement with the qualifying special purpose entity.~~
- c. ~~Terms of arrangements that could require the reporting entity to provide financial support (for example, liquidity arrangements and obligations to purchase assets) to the qualifying special purpose entity, including events or circumstances that could expose the reporting entity to loss. All available evidence shall be considered, including, but not limited to, all of the following:~~
 - 1. ~~Explicit written arrangements~~
 - 2. ~~Communications between the sponsor or servicer and the qualifying special purpose entity or its beneficial interest holders~~

3. ~~Unwritten arrangements that are customary in similar relationships between the sponsor or servicer and the qualifying special purpose entity or its beneficial interest holders.~~
- d. ~~The reporting entity's maximum exposure to loss as a result of its involvement with the qualifying special purpose entity, including how the maximum exposure is determined and the significant sources of the reporting entity's exposure to the qualifying special purpose entity. If the reporting entity's maximum exposure to loss as a result of its involvement with the qualifying special purpose entity cannot be quantified, that fact shall be disclosed.~~
- e. ~~Whether the reporting entity has provided financial or other support during the periods presented to the qualifying special purpose entity that it was not previously contractually required to provide, including both of the following:~~
 1. ~~The type and amount of support, including situations in which the reporting entity assisted the qualifying special purpose entity in obtaining another type of support~~
 2. ~~The primary reasons for providing the support.~~

34. ~~Supersede paragraphs 810-10-55-5 through 55-8 and the related heading, with a link to transition paragraph 810-10-65-2, as follows:~~

Consolidation—Overall—Implementation Guidance and Illustrations

> Implementation Guidance

>> ~~Direct or Indirect Ability to Make Decisions About a Potential VIE's Activities Through Voting Rights or Similar Rights~~

810-10-55-5 ~~A legal entity shall be subject to consolidation according to paragraph 810-10-15-14(b)(1) if, as a group, the holders of the equity investment at risk (the equity group) lack the direct or indirect ability to make decisions about a legal entity's activities through voting rights or similar rights. The variable interest holders shall evaluate whether the equity group lacks the direct or indirect ability to make decisions about a legal entity's activities through voting rights or similar rights. The evaluation under paragraph 810-10-15-14(b)(1) shall be based on the extent to which the total equity investment at risk provides the equity holders as a group the ability to make decisions about a legal entity's activities through voting rights or similar rights. The equity group would not lack the characteristic in that paragraph in situations in which the equity group holds all voting rights or similar rights, and, conversely, the equity group would lack the characteristic in situations in which the equity group holds no voting rights or similar rights. There are situations in which both the equity group and the parties~~

outside the equity group hold voting rights or similar rights such that each has the ability to make or participate in decisions about a legal entity's activities. In those situations, emphasis should be placed on the ability of the equity group to make decisions that have a significant impact on the success of the legal entity as well as the extent to which the equity group absorbs **expected losses** and receives **expected residual returns** of the legal entity. Paragraph superseded by Accounting Standards Update 2009-17.

810-10-55-6 ~~The ability to make decisions that have a significant impact on the success of the legal entity becomes increasingly important to the equity group as the amount of the equity investment increases. The greater the equity as compared to the expected losses of the legal entity, the less likely it is that the equity group would be willing to give up the ability to make decisions consistent with its interest or permit others to make decisions counter to the equity group's interests. Parties outside the equity group may be subject to risk by holding interests in a legal entity that vary with the success of the entity in achieving a desired return, but that risk may be significantly mitigated by the amount of the equity group's equity investment.~~ Paragraph superseded by Accounting Standards Update 2009-17.

810-10-55-7 ~~Judgment often will be necessary in evaluating whether the equity group can make decisions that have a significant impact on the success of the legal entity. It is not possible to create a list of decisions that an equity group must be able to make to determine whether the equity group lacks the characteristic in paragraph 810-10-15-14(b)(1) because the types of decisions can vary depending on the nature of the activities conducted by a legal entity. If the equity group has the ability to make decisions that have a significant impact on the success of the legal entity and the equity group has an obligation to absorb the expected losses and has the right to receive the expected residual returns of the legal entity, the equity group likely possesses the characteristic set forth in that paragraph, regardless of the fact that other parties may also have decision-making rights.~~ Paragraph superseded by Accounting Standards Update 2009-17.

810-10-55-8 ~~See Section 952-810-55 for how the paragraph 810-10-15-14(b)(1) evaluation should be performed of a franchise arrangement in which there is a sharing of decision-making rights between the equity investors and others and in which the franchisor did not meet the conditions set forth in paragraph 810-10-15-17(d).~~ Paragraph superseded by Accounting Standards Update 2009-17.

35. Amend paragraph 810-10-55-16, with a link to transition paragraph 810-10-65-2, as follows:

> > Identifying Variable Interests

810-10-55-16 The Variable Interest Entities Subsections provide guidance for identifying entities for which analysis of voting interests, and the holdings of those voting interests, is not effective in determining whether a controlling financial interest exists because ~~the legal entity does not have adequate equity capital or the equity instruments do not have the normal characteristics of equity that provide its holders with a potential controlling financial interest.~~the holders of the equity investment at risk do not have sufficient equity at risk for the legal entity to finance its activities without additional subordinated financial support or because they lack any of the following: [FIN 46(R), paragraph B1, sequence 221]

- a. The power, through voting rights or similar rights, to direct the activities of a legal entity that most significantly impact the entity's economic performance [FIN 46(R), paragraph B1, sequence 221]
- b. The obligation to absorb the expected losses of the legal entity [FIN 46(R), paragraph B1, sequence 221]
- c. The right to receive the expected residual returns of the legal entity. [FIN 46(R), paragraph B1, sequence 221]

Those entities are called **variable interest entities** (VIEs). The Variable Interest Entities Subsections also provide guidance for determining whether a reporting entity shall consolidate a VIE. A reporting entity that consolidates a VIE is called the **primary beneficiary** of that VIE. ~~The guidance in the Variable Interest Entities Subsections identifies the primary beneficiary as a holder of **variable interests** in a VIE that absorb or receive a majority of the VIE's expected losses or expected residual returns unless the primary beneficiary is determined in accordance with paragraph 810-10-25-44.~~ This Subsection provides guidance for identifying variable interests in a VIE and explains in general how they may affect the determination of the primary beneficiary.

810-10-55-17 The identification of variable interests requires an economic analysis of the rights and obligations of a legal entity's assets, liabilities, equity, and other contracts. Variable interests are contractual, ownership, or other pecuniary interests in a legal entity that change with changes in the fair value of a legal entity's net assets exclusive of variable interests. The Variable Interest Entities Subsections use the terms **expected losses and expected residual returns** to describe the **expected variability** in the fair value of a legal entity's net assets exclusive of variable interests.

810-10-55-18 For a legal entity that is not a VIE (sometimes called a voting interest entity), all of the legal entity's assets, liabilities, and other contracts are deemed to create variability, and the equity investment is deemed to be sufficient to absorb the expected amount of that variability. In contrast, VIEs are designed so that some of the entity's assets, liabilities, and other contracts create variability and some of the entity's assets, liabilities, and other contracts (as well as its equity at risk) absorb or receive that variability.

810-10-55-19 The identification of variable interests involves determining which assets, liabilities, or contracts create the legal entity's variability and which assets, liabilities, equity, and other contracts absorb or receive that variability. The latter are the legal entity's variable interests. The labeling of an item as an asset, liability, equity, or as a contractual arrangement does not determine whether that item is a variable interest. It is the role of the item—to absorb or receive the legal entity's variability—that distinguishes a variable interest. That role, in turn, often depends on the design of the legal entity.

810-10-55-20 Paragraphs 810-10-55-16 through 55-41 describe examples of variable interests in VIEs subject to the Variable Interest Entities Subsections. These paragraphs are not intended to provide a complete list of all possible variable interests. In addition, the descriptions are not intended to be exhaustive of the possible roles, and the possible variability, of the assets, liabilities, equity, and other contracts. Actual instruments may play different roles and be more or less variable than the examples discussed. Finally, these paragraphs do not analyze the relative significance of different variable interests, because the relative significance of a variable interest will be determined by the design of the VIE. The identification and analysis of variable interests must be based on all of the facts and circumstances of each entity.

36. Amend paragraph 810-10-55-21, with no link to a transition paragraph, as follows:

810-10-55-21 Paragraphs 810-10-55-16 through ~~4455-41~~ also do not discuss whether the variable interest is a variable interest in a specified asset of a VIE or in the VIE as a whole. Guidance for making that determination is provided in paragraphs 810-10-25-55 through 25-56. Paragraphs 810-10-25-57 through 25-59 provide guidance for when a VIE shall be separated with each part evaluated to determine if it has a primary beneficiary.

> > > Equity Investments, Beneficial Interests, and Debt Instruments

810-10-55-22 Equity investments in a VIE are variable interests to the extent they are at risk. (Equity investments at risk are described in paragraph 810-10-15-14.)

Some equity investments in a VIE that are determined to be not at risk by the application of that paragraph also may be variable interests if they absorb or receive some of the VIE's variability. If a VIE has a contract with one of its equity investors (including a financial instrument such as a loan receivable), a reporting entity applying this guidance to that VIE shall consider whether that contract causes the equity investor's investment not to be at risk. If the contract with the equity investor represents the only asset of the VIE, that equity investment is not at risk.

810-10-55-23 Investments in subordinated beneficial interests or subordinated debt instruments issued by a VIE are likely to be variable interests. The most subordinated interest in a VIE will absorb all or part of the expected losses of the VIE. For a voting interest entity the most subordinated interest is the entity's equity; for a VIE it could be debt, beneficial interests, equity, or some other interest. The return to the most subordinated interest usually is a high rate of return (in relation to the interest rate of an instrument with similar terms that would be considered to be investment grade) or some form of participation in residual returns.

37. Amend paragraph 810-10-55-24, with a link to transition paragraph 810-10-65-2, as follows:

810-10-55-24 Any of a VIE's liabilities may be variable interests because a decrease in the fair value of a VIE's assets could be so great that all of the liabilities would absorb that decrease. However, senior beneficial interests and senior debt instruments with fixed interest rates or other fixed returns normally would absorb little of the VIE's expected ~~variability, variability, and therefore, a holder of only the most senior interests of a VIE likely would not be the primary beneficiary of that VIE, unless the subordinated interests of the VIE are not large enough to absorb the VIE's expected losses (or unless there are provisions such as embedded derivatives that expose the senior interests to losses).~~ By definition, if a senior interest exists, interests subordinated to the senior interests will absorb losses first. The variability of a senior interest with a variable interest rate is usually not caused by changes in the value of the VIE's assets and thus would usually be evaluated in the same way as a fixed-rate senior interest. Senior interests normally are not entitled to any of the residual return.

> > Forward Contracts

810-10-55-27 Forward contracts to buy assets or to sell assets that are not owned by the VIE at a fixed price will usually expose the VIE to risks that will increase the VIE's expected variability. Thus, most forward contracts to buy

assets or to sell assets that are not owned by the VIE are not variable interests in the VIE.

38. Amend paragraphs 810-10-55-28 through 55-30, with a link to transition paragraph 810-10-65-2, as follows:

810-10-55-28 A forward contract to sell assets that are owned by the VIE at a fixed price will usually absorb the variability in the fair value of the asset that is the subject of the contract. Thus, most forward contracts to sell assets that are owned by the VIE are variable interests with respect to the related assets. ~~However, if the term of a forward contract is short or the volatility of the value of the asset is low or both, the holder of the forward contract is not likely to absorb a majority of the VIE's expected losses or to receive a majority of the VIE's expected residual returns.~~ Because forward contracts to sell assets that are owned by the VIE relate to specific assets of the VIE, it will be necessary to apply the guidance in ~~paragraph~~paragraphs 810-10-25-55 through 25-56 to determine whether a forward contract to sell an asset owned by a VIE is a variable interest in the VIE as opposed to a variable interest in that specific asset.

> > > Other Derivative Instruments

810-10-55-29 Derivative instruments held or written by a VIE shall be analyzed in terms of their option-like, forward-like, or other variable characteristics. If the instrument creates variability, in the sense that it exposes the VIE to risks that will increase expected variability, the instrument is not a variable interest. If the instrument absorbs or receives variability, in the sense that it reduces the exposure of the VIE to risks that cause variability, the instrument is a variable interest. ~~Rights and obligations under derivative instruments whose underlyings are market interest rates or currency exchange rates probably will not cause the holder to be a primary beneficiary unless the primary causes of variability in the VIE's assets are the same or similar interest rates or currency exchange rates.~~

810-10-55-30 Derivatives, including total return swaps and similar arrangements, can be used to transfer substantially all of the risk or return (or both) related to certain assets of an VIE without actually transferring the assets. Derivative instruments with this characteristic shall be evaluated carefully. ~~If the arrangement effectively transfers significant risks to the counterparty, the counterparty is likely to be the VIE's primary beneficiary.~~

810-10-55-31 Some assets and liabilities of a VIE have embedded derivatives. For the purpose of identifying variable interests, an embedded derivative that is clearly and closely related economically to its asset or liability host is not to be evaluated separately.

39. Supersede paragraphs 810-10-55-33 through 55-36 and the related heading, with a link to transition paragraph 810-10-65-2, as follows:

>>> Fees Paid to a Decision Maker

810-10-55-33 Paragraph superseded by Accounting Standards Update 2009-17. ~~A VIE's expected losses and expected residual returns shall not include the expected variability in fees paid to the decision maker (if there is a decision maker) except as discussed in the last sentence in this paragraph. Those contractual rights to receive fees are considered variable interests that absorb rather than cause variability. However, a fee paid by a VIE to a decision maker is not considered a variable interest in the VIE if all of the characteristics of a hired service provider or an employee relationship identified in the following paragraph are present in an arrangement.~~

810-10-55-34 Paragraph superseded by Accounting Standards Update 2009-17. ~~Fees paid to a decision maker shall not be considered variable interests if all of the following conditions exist:~~

- ~~a. The fees are compensation for services provided and are commensurate with the level of effort required to provide those services. Paragraph 810-10-55-36 describes factors that may indicate that fees exceed the level of compensation that would be commensurate with the services provided.~~
- ~~b. The fees are at or above the same level of seniority as other operating liabilities of the VIE that arise in the normal course of business, such as trade payables.~~
- ~~c. Except for the fees described in (a) and (b), the decision maker and the decision maker's related parties (all parties identified in paragraph 810-10-25-43) do not hold interests in the VIE that individually, or in the aggregate, would absorb more than a trivial amount of the VIE's expected losses or receive more than a trivial amount of the VIE's expected residual returns.~~
- ~~d. The decision maker is subject to substantive kick-out rights, as that term is described in the following paragraph.~~

810-10-55-35 Paragraph superseded by Accounting Standards Update 2009-17. ~~The ability of an investor or another party to remove the decision maker (that is, kick-out rights) does not affect the status of a decision maker's fees in the application of the preceding two paragraphs unless the rights are substantive. The determination of whether the kick-out rights are substantive shall be based on a consideration of all relevant facts and circumstances. Substantive kick-out rights must have both of the following characteristics:~~

- a. ~~The decision maker can be removed by the vote of a simple majority of the voting interests held by parties other than the decision maker and the decision maker's related parties (see paragraph 810-10-25-43).~~
- b. ~~The parties holding the kick out rights have the ability to exercise those rights if they choose to do so; that is, there are no significant barriers to the exercise of the rights. Barriers include, but are not limited to, the following:~~
 - 1. ~~Kick-out rights subject to conditions that make it unlikely they will be exercisable, for example, conditions that narrowly limit the timing of the exercise~~
 - 2. ~~Financial penalties or operational barriers associated with replacing the decision maker that would act as a significant disincentive for removal~~
 - 3. ~~The absence of an adequate number of qualified replacement decision makers or inadequate compensation to attract a qualified replacement~~
 - 4. ~~The absence of an explicit, reasonable mechanism in the contractual arrangement, or in the applicable laws or regulations, by which the parties holding the rights can call for and conduct a vote to exercise those rights~~
 - 5. ~~The inability of parties holding the rights to obtain the information necessary to exercise them.~~

810-10-55-36 ~~Paragraph superseded by Accounting Standards Update 2009-17. Determination of whether fees paid to a decision maker represent compensation for services provided commensurate with the level of effort required to provide those services will require judgment based on all relevant facts and circumstances. The following factors may indicate that the fees exceed the level of compensation that would be commensurate with the services provided:~~

- a. ~~The service arrangement includes terms, conditions, or amounts that are not customarily present in arrangements for similar services negotiated at arm's length.~~
- b. ~~The total amount of the expected fees is large relative to the total amount of the VIE's expected return to its variable interests.~~
- c. ~~The expected variability in the fees is large relative to the total expected variability in the fair value of the VIE's net assets exclusive of variable interests.~~

40. Amend paragraphs 810-10-55-37 through 55-38 and the related heading, with a link to transition paragraph 810-10-65-2, as follows:

> > > Fees Paid to Decision Makers or Service Providers~~Other Service Contracts~~

810-10-55-37 Fees paid to a legal entity's decision maker(s) or service provider(s)~~Service contracts with hired service providers other than the VIE's decision maker~~ are not variable interests if all of the following conditions are met:

- a. The fees are compensation for services provided and are commensurate with the level of effort required to provide those services.
- b. Substantially all of the fees are at or above the same level of seniority as other operating liabilities of the VIE that arise in the normal course of the VIE's activities, such as trade payables.
- c. ~~The service contracts are subject to cancellation provisions that are customary for such contracts and there is an adequate number of qualified replacement service providers.~~The decision maker or service provider and its related parties, if any, do not hold other interests in the VIE that individually, or in the aggregate, would absorb more than an insignificant amount of the VIE's expected losses or receive more than an insignificant amount of the VIE's expected residual returns. [FIN 46(R), paragraph B22, sequence 261.1]The term related parties refers to all parties identified in paragraph 810-10-25-43. However, for purposes of this condition, related parties do not include employees of the decision maker or service provider, unless the employees are used in an effort to circumvent the provisions of the Variable Interest Entities Subsections. [FIN 46(R), paragraph B22, sequence 261.1.1]
- d. The service arrangement includes only terms, conditions, or amounts that are customarily present in arrangements for similar services negotiated at arm's length. [FIN 46(R), paragraph B22, sequence 261.2]
- e. The total amount of anticipated fees are insignificant relative to the total amount of the VIE's anticipated economic performance. [FIN 46(R), paragraph B22, sequence 261.3]
- f. The anticipated fees are expected to absorb an insignificant amount of the variability associated with the VIE's anticipated economic performance. [FIN 46(R), paragraph B22, sequence 261.4]

810-10-55-38 Fees paid to decision makers or service providers that do not meet all of the conditions in the preceding paragraph~~are~~Service contracts that do not have all of the features listed in the preceding paragraph may be variable interests. The counterparties to the contracts could absorb or receive some of the variability of the VIE.

> > > Operating Leases

810-10-55-39 Receivables under an operating lease are assets of the lessor entity and provide returns to the lessor entity with respect to the leased property during that portion of the asset's life that is covered by the lease. Most operating

leases do not absorb variability in the fair value of a VIE's net assets because they are a component of that variability. Guarantees of the residual values of leased assets (or similar arrangements related to leased assets) and options to acquire leased assets at the end of the lease terms at specified prices may be variable interests in the lessor entity if they meet the conditions described in paragraphs 810-10-25-55 through 25-56. Alternatively, such arrangements may be variable interests in portions of a VIE as described in paragraph 810-10-25-57. The guidance in paragraphs 810-10-55-23 through 55-24 related to debt instruments applies to creditors of lessor entities.

41. Amend paragraph 810-10-55-40, with a link to transition paragraph 810-10-65-2, as follows:

> > > Variable Interest of One VIE in Another VIE

810-10-55-40 One VIE is the primary beneficiary of another VIE if it meets the conditions in paragraph ~~810-10-25-38~~ 810-10-25-38A. A VIE that is the primary beneficiary of a second VIE will consolidate that second VIE. If another reporting entity consolidates the first VIE, that reporting entity's consolidated financial statements include the second VIE because the second VIE had already been consolidated by the first. For example, if Entity A (a VIE) is the primary beneficiary of Entity B (a VIE), Entity A consolidates Entity B. If Entity C is the primary beneficiary of Entity A, Entity C consolidates Entity A, and Entity C's consolidated financial statements include Entity B because Entity A has consolidated Entity B.

42. Amend paragraph 810-10-55-50, with a link to transition paragraph 810-10-65-2, as follows:

> > Example 2: Calculation of Expected Losses if There Is No History of, nor Future Expectation of, Net Losses

810-10-55-50 This Example illustrates ~~the guidance in paragraphs 810-10-25-38 through 25-39 for~~ the calculation of expected losses if a legal entity has no history of net losses and expects continued profitability. This Example has the following assumptions:

- a. On January 1, 2004, Entity A is formed to purchase a building, 95 percent of which is financed by debt and 5 percent by equity. The lenders will have recourse only to the building in the event that Entity A does not make the required debt payments.
- b. On the same day, Entity B enters into a five-year market-rate lease for the building from Entity A that includes a guarantee of a portion of the

building's residual value. The present value of the minimum lease payments, including the residual value guarantee, is less than 90 percent of the fair value of the building.

- c. There are no other interests in Entity A.
- d. The appropriate discount rate is assumed to be 5 percent.

43. Amend paragraph 810-10-55-56, with a link to transition paragraph 810-10-65-2, as follows:

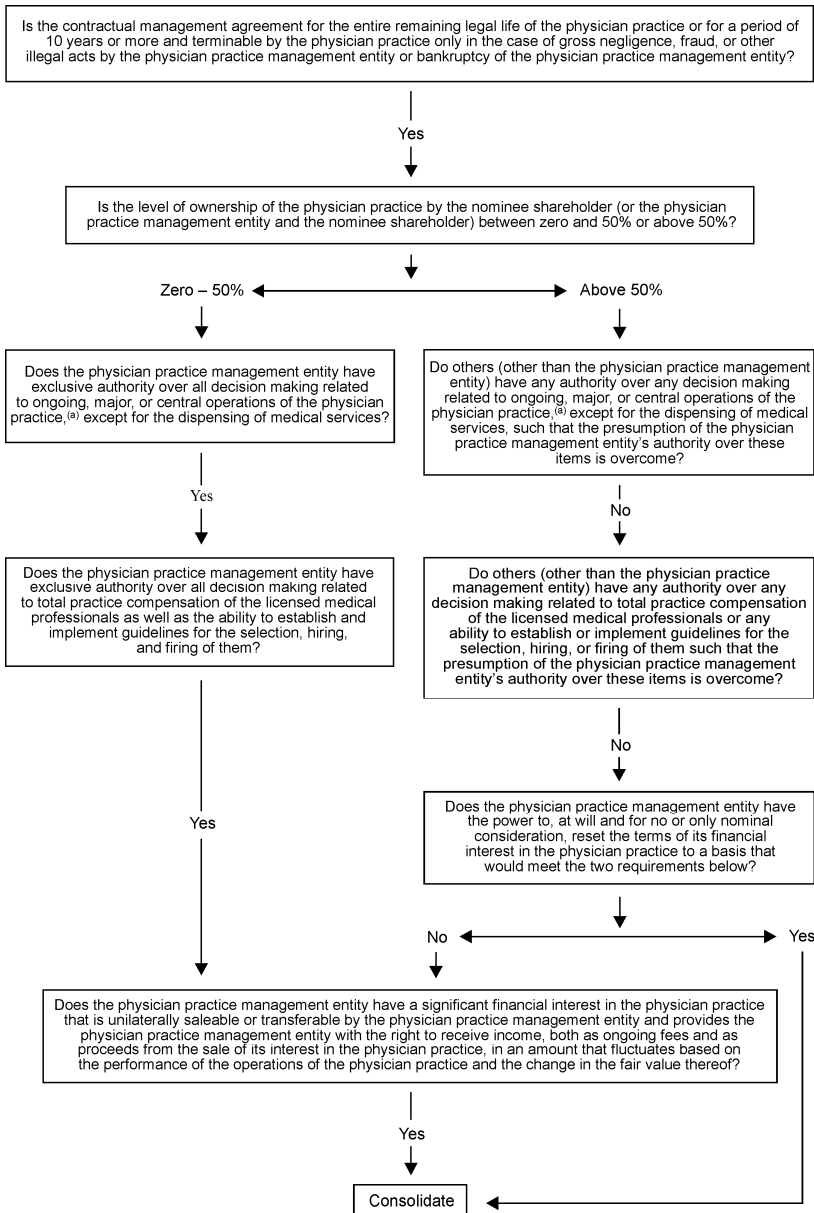
810-10-55-56 Cases A-H share all of the following assumptions:

- a. All the entities are presumed to be VIEs.
- b. All variable interests are variable interests in the VIE (as a whole) rather than variable interests in specified assets of the VIE, based on the guidance in paragraphs 810-10-25-55 through 25-59.
- c. A primary beneficiary has not been ~~identified~~ identified; however, the determination of the primary beneficiary should be made in accordance with the guidance in paragraphs 810-10-25-38A through 25-38G, because the determination of the primary beneficiary may require a quantitative analysis and extends beyond these Cases.

44. Move paragraphs 810-10-55-90 through 55-92 and their related headings as indicated, retaining their placement in the Consolidation of Entities Controlled by Contract Subsection as its sole content, with no link to a transition paragraph, as follows:

> Implementation Guidance

810-10-55-20699 The decision tree that follows illustrates the analysis to determine whether a physician practice management entity shall consolidate a physician practice. The decision tree contains the term, control, and financial interest requirements, as those requirements are affected by the interpretive guidance that is presumptive in nature. The other interpretive guidance shall also be considered when working through the decision tree. If the answer to any question in the decision tree is other than as shown by the arrows, then the physician practice management entity should not consolidate the physician practice. Use of the decision tree is not a substitute for application of the Consolidation of Entities Controlled by Contract Subsections, including all the interpretive guidance. The following is an illustration of the analysis to determine whether a physician practice management entity should consolidate a physician practice.



(a) Paragraph 810-10-15-22(b)(1) describes the required extent of this decision-making authority.

> Physician Practice Management Entity Shareholder Fact Patterns

810-10-55-20790A Situations involving non-nominee and **nominee shareholder** fact patterns are presented as additional information related to physician practice management entities.

> > Non-Nominee Shareholder

810-10-55-20894 The following descriptions are included for background information purposes only. Not enough information is given in the examples to determine whether the physician practice management entity obtains an adequate controlling financial interest in the physician practice:

- a. A physician practice management entity (Entity A) acquires all the outstanding stock of a physician practice (Entity B) directly from Entity B shareholders by issuing shares of Entity A voting common stock. Concurrent with the acquisition, the physicians who are the former owners of Entity B form a new professional corporation (Entity C), which enters into a long-term management agreement with Entity B. The physicians formerly of Entity B, who are now owners and employees of Entity C, enter into employment agreements with Entity C.
- b. A physician practice management entity (Entity A) acquires all the outstanding stock of a physician practice (Entity B) directly from Entity B shareholders by issuing shares of Entity A voting common stock. Concurrent with the acquisition, the physicians and former owners of Entity B form a new professional corporation (Entity C) and enter into a long-term management agreement with Entity B. Although Entity A acquired the stock of Entity B, state law precludes contractual arrangements between physicians and hospitals and between physicians and health maintenance organizations from being held by a non-physician-owned practice (Entity B after the acquisition). Therefore, Entity B's patient contracts are transferred concurrent with the acquisition to Entity C. The physicians formerly of Entity B, who are now owners and employees of Entity C, enter into employment agreements with Entity C.
- c. A physician practice management entity creates a wholly owned subsidiary (Entity A), which acquires all the net assets of a physician practice (Entity B) through the physician practice management entity's issuing some of its shares of voting common stock to Entity B. Concurrent with the transaction, Entity B enters into a long-term management agreement with Entity A. The ownership of Entity B

remains the same; however, the physicians (that is, the owners of Entity B) enter into new employment agreements with Entity B.

> > Nominee Shareholder

810-10-55-20992 The following descriptions are included for background information purposes only. Not enough information is given in the examples to determine whether the physician practice management entity obtains an adequate controlling financial interest in the physician practice:

- a. At the direction of the physician practice management entity, a physician who will be the physician practice management entity's **nominee shareholder** incorporates a nominally capitalized new physician practice. In a subsequent exchange of shares, the physician practice management entity becomes the outright owner of the shares of the existing physician practice. The physician or physicians who were the former owners of the existing physician practice simultaneously sever their employment relationship with the existing physician practice and establish an employment relationship with the new physician practice. According to the terms of another simultaneously executed agreement, the physician who established the new physician practice becomes the physician practice management entity's nominee shareholder of that practice. A management agreement between the physician practice management entity and the new physician practice is also simultaneously executed.
- b. The physician practice management entity issues its shares to the shareholders of the existing physician practice. Simultaneously, shares of the existing physician practice are delivered to a physician who is a nominee of the physician practice management entity, and a management agreement is executed between the physician practice management entity and the existing physician practice. By virtue of the terms of the management agreement that gives the rights to the residual equity of the existing physician practice to the physician practice management entity, the shares of the physician practice held by the nominee have only a nominal value. The physicians who previously owned the existing physician practice and who were employees of it execute new employment agreements with the now nominee-owned existing physician practice.

45. Within the Variable Interest Entities Subsection, add paragraphs 810-10-55-93 through 55-205 and related headings, with a link to transition paragraph 810-10-65-2, as follows:

> > Example 5: Identifying a Primary Beneficiary

810-10-55-93 The following cases are provided solely to illustrate the application of the guidance in paragraphs 810-10-25-38A through 25-38G related to the identification of a primary beneficiary: **[FIN 46(R), paragraph Cn1, sequence 287.2.2.2.1.1.1]**

- a. Commercial mortgage-backed securitization (Case A)
- b. Asset-backed collateralized debt obligation (Case B)
- c. Structured investment vehicle (Case C)
- d. Commercial paper conduit (Case D)
- e. Guaranteed mortgage-backed securitization (Case E)
- f. Residential mortgage-backed securitization (Case F)
- g. Property lease entity (Case G)
- h. Collaboration—Joint venture arrangement (Case H)
- i. Furniture manufacturing entity (Case I)

810-10-55-94 The identification of a primary beneficiary, if any, in Cases A-I is based solely on the specific facts and circumstances presented. These Cases are hypothetical and are not meant to represent actual transactions in the marketplace. Although certain aspects of the Cases may be present in actual fact patterns, all relevant facts and circumstances of a specific fact pattern or structure would need to be evaluated to reach an accounting conclusion. All of the Cases share the following assumptions: **[FIN 46(R), paragraph Cn1, sequence 287.2.2.2.1.1.2]**

- a. All the entities are presumed to be VIEs. **[FIN 46(R), paragraph Cn1, sequence 287.2.2.2.1.1.3]**
- b. All variable interests are presumed to be variable interests in the VIE as a whole, rather than variable interests in specified assets of the VIE, on the basis of the guidance in paragraphs 810-10-25-55 through 25-59. **[FIN 46(R), paragraph Cn1, sequence 287.2.2.2.1.1.4]**

810-10-55-95 In some Cases, certain fees are described as representing, or not representing, a variable interest on the basis of paragraphs 810-10-55-37 through 55-38. However, the Cases were not meant to illustrate the application of the guidance in those paragraphs, and additional facts would be necessary to determine which condition(s) resulted in the fee representing a variable interest. Finally, determining the primary beneficiary in accordance with the guidance in the Variable Interest Entities Subsections requires judgment and is on the basis of individual facts and circumstances of the VIE and the reporting entity with the variable interest or interests. **[FIN 46(R), paragraph Cn1, sequence 287.2.2.2.1.1.5]**

> > > Case A: Commercial Mortgage-Backed Securitization

810-10-55-96 A VIE is created and financed with \$94 of investment grade 7-year fixed-rate bonds (issued in 3 tranches) and \$6 of equity. All of the bonds are held by third-party investors. The equity is held by a third party, who is also the special servicer. The equity tranche was designed to absorb the first dollar risk of loss and to receive any residual return from the VIE. The VIE uses the proceeds to purchase \$100 of BB-rated fixed-rate commercial mortgage loans with contractual maturities of 7 years from a transferor. The commercial mortgage loans contain provisions that require each borrower to pay the full scheduled interest and principal if the loan is extinguished prior to maturity. The transaction was marketed to potential bondholders as an investment in a portfolio of commercial mortgage loans with exposure to the credit risk associated with the possible default by the borrowers. [FIN 46(R), paragraph Cn2, sequence 287.2.2.2.1.1.6]

810-10-55-97 Each month, interest received from all of the pooled loans is paid to the investors in the fixed-rate bonds, in order of seniority, until all accrued interest on those bonds is paid. The same distribution occurs when principal payments are received. [FIN 46(R), paragraph Cn3, sequence 287.2.2.2.1.1.7]

810-10-55-98 If there is a shortfall in contractual payments from the borrowers or if the loan collateral is liquidated and does not generate sufficient proceeds to meet payments on all bond classes, the equity tranche and then the most subordinate bond class will incur losses, with further losses impacting more senior bond classes in reverse order of priority. [FIN 46(R), paragraph Cn4, sequence 287.2.2.2.1.1.8]

810-10-55-99 The transferor retains the primary servicing responsibilities. The primary servicing activities performed are administrative in nature and include remittance of payments on the loans, administration of escrow accounts, and collections of insurance claims. Upon delinquency or default by the borrower, the responsibility for administration of the loan is transferred from the transferor as the primary servicer to the special servicer. Furthermore, the special servicer, as the equity holder, has the approval rights for budgets, leases, and property managers of foreclosed properties. [FIN 46(R), paragraph Cn5, sequence 287.2.2.2.1.1.9]

810-10-55-100 The special servicer is involved in the creation of the VIE and required at the creation date that certain loans, which it deemed to be of high risk, be removed from the initial pool of loans that were going to be purchased by the VIE from the transferor. The special servicer also reviewed the VIE's governing documents to ensure that the special servicer would be allowed to act quickly and effectively in situations in which a loan becomes delinquent. The special servicer concluded the VIE's governing documents allowed the special

servicer to adequately monitor and direct the performance of the underlying loans. [FIN 46(R), paragraph Cn6, sequence 287.2.2.2.1.2.1]

810-10-55-101 For its services as primary servicer, the transferor earns a fixed fee, calculated as a percentage of the unpaid principal balance on the underlying loans. The special servicer also earns a fixed fee, calculated as a percentage of the unpaid principal balance on the underlying loans. No party has the ability to remove the primary servicer or the special servicer. [FIN 46(R), paragraph Cn7, sequence 287.2.2.2.1.2.2]

810-10-55-102 To evaluate the facts and circumstances and determine which reporting entity, if any, is the primary beneficiary of a VIE, paragraph 810-10-25-38A requires that a reporting entity determine the purpose and design of the VIE, including the risks that the VIE was designed to create and pass through to its variable interest holders. In making this assessment, the variable interest holders of the VIE determined the following: [FIN 46(R), paragraph Cn8, sequence 287.2.2.2.1.2.3]

- a. The primary purposes for which the VIE was created were to provide liquidity to the transferor to originate additional loans and to provide investors with the ability to invest in a pool of commercial mortgage loans. [FIN 46(R), paragraph Cn8, sequence 287.2.2.2.1.2.4]
- b. The VIE was marketed to debt investors as a VIE that would be exposed to the credit risk associated with the possible default by the borrowers with respect to principal and interest payments, with the equity tranche designed to absorb the first dollar risk of loss. Additionally, the marketing of the transaction indicated that such risks would be mitigated by subordination of the equity tranche. [FIN 46(R), paragraph Cn8, sequence 287.2.2.2.1.2.5]
- c. The VIE is not exposed to prepayment risk because the commercial mortgage loans contain provisions that require the borrower to pay the full scheduled interest and principal if the loan is extinguished prior to maturity. [FIN 46(R), paragraph Cn8, sequence 287.2.2.2.1.2.6]

810-10-55-103 The special servicer and the bondholders are the variable interest holders in the VIE. The fees paid to the transferor do not represent a variable interest on the basis of a consideration of the conditions in paragraphs 810-10-55-37 through 55-38. The fees paid to the special servicer represent a variable interest on the basis of a consideration of the conditions in those paragraphs. [FIN 46(R), paragraph Cn9, sequence 287.2.2.2.1.2.7]

810-10-55-104 Paragraph 810-10-25-38B requires that a reporting entity identify which activities most significantly impact the VIE's economic performance and determine whether it has the power to direct those activities. The economic performance of the VIE is most significantly impacted by the performance of its

underlying assets. Thus, the activities that most significantly impact the VIE's economic performance are the activities that most significantly impact the performance of the underlying assets. The special servicer has the ability to manage the VIE's assets that are delinquent or in default to improve the economic performance of the VIE. Additionally, the special servicer, as the equity holder, can approve budgets, leases, and property managers on foreclosed property. The special servicing activities are performed only upon delinquency or default of the underlying assets. However, a reporting entity's ability to direct the activities of a VIE when circumstances arise or events happen constitutes power if that ability relates to the activities that most significantly impact the economic performance of the VIE. A reporting entity does not have to exercise its power in order to have power to direct the activities of a VIE. The special servicer's involvement in the design of the VIE does not, in isolation, result in the special servicer being the primary beneficiary of the VIE. However, in this situation, that involvement indicated that the special servicer had the opportunity and the incentive to establish arrangements that result in the special servicer being the variable interest holder with the power to direct the activities that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn10, sequence 287.2.2.2.2.1.2.8]

810-10-55-105 The bondholders of the VIE have no voting rights and no other rights that provide them with the power to direct the activities that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn11, sequence 287.2.2.2.2.1.2.9]

810-10-55-106 The activities that the primary servicer has the power to direct are administrative in nature and do not most significantly impact the VIE's economic performance. In addition, the primary servicer, and its related parties, do not hold a variable interest in the VIE. Thus, the primary servicer cannot be the primary beneficiary of the VIE. [FIN 46(R), paragraph Cn12 sequence 287.2.2.2.2.1.3.1]

810-10-55-107 If a reporting entity has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, then under the requirements of paragraph 810-10-25-38A, that reporting entity also is required to determine whether it has the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. [FIN 46(R), paragraph Cn13, sequence 287.2.2.2.2.1.3.2]

810-10-55-108 The special servicer, for its servicing activities, receives a fixed fee that provides it with the right to receive benefits of the VIE. The special servicer concluded that the benefits could not potentially be significant to the VIE. The special servicer, as the equity tranche holder, has the obligation to absorb losses and the right to receive benefits, either of which could potentially be significant to the VIE. As equity tranche holder, the special servicer is the most

subordinate tranche and therefore absorbs the first dollar risk of loss and has the right to receive benefits, including the VIE's actual residual returns, if any. [FIN 46(R), paragraph Cn14, sequence 287.2.2.2.1.3.3]

810-10-55-109 On the basis of the specific facts and circumstances presented in this Case and the analysis performed, the special servicer would be deemed to be the primary beneficiary of the VIE because: [FIN 46(R), paragraph Cn15, sequence 287.2.2.2.1.3.4]

- a. It is the variable interest holder with the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn15, sequence 287.2.2.2.1.3.5]
- b. As the equity tranche holder, it has the obligation to absorb losses of the VIE and the right to receive benefits from the VIE, either of which could potentially be significant to the VIE. [FIN 46(R), paragraph Cn15, sequence 287.2.2.2.1.3.6]

> > > Case B: Asset-Backed Collateralized Debt Obligation

810-10-55-110 A VIE is created and financed with \$90 of AAA-rated fixed-rate debt securities, \$6 of BB-rated fixed-rate debt securities, and \$4 of equity. All debt securities issued by the VIE are held by third-party investors. The equity tranche is held 35 percent by the manager of the VIE and 65 percent by a third-party investor. The VIE uses the proceeds to purchase a portfolio of asset-backed securities with varying tenors and interest rates. [FIN 46(R), paragraph Cn16, sequence 287.2.2.2.1.3.7]

810-10-55-111 The transaction was marketed to potential debt investors as an investment in a portfolio of asset-backed securities with exposure to the credit risk associated with the possible default by the issuers of the asset-backed securities in the portfolio and to the interest rate risk associated with the management of the portfolio. The equity tranche was designed to absorb the first dollar risk of loss related to credit risk and interest rate risk and to receive any residual returns from a favorable change in interest rates or credit risk that affects the proceeds received on the sale of investments in the portfolio. [FIN 46(R), paragraph Cn17, sequence 287.2.2.2.1.3.8]

810-10-55-112 The assets of the VIE are managed within the parameters established by the underlying trust documents. The parameters provide the manager with the latitude to manage the VIE's assets while maintaining an average portfolio rating of single B-plus or higher. If the average rating of the portfolio declines, the VIE's governing documents require that the manager's discretion in managing the portfolio be curtailed. [FIN 46(R), paragraph Cn18, sequence 287.2.2.2.1.3.9]

810-10-55-113 For its services, the manager earns a base, fixed fee and a performance fee in which it receives a portion of the VIE's profit above a targeted return. The manager can be removed, without cause, by a simple majority decision of the AAA-rated debt holders. As the debt of the entity is widely disbursed, no one party has the ability to unilaterally remove the manager. If removal of the manager occurs, the manager will continue to hold a 35 percent equity interest in the VIE. [FIN 46(R), paragraph Cn19, sequence 287.2.2.2.1.4.1]

810-10-55-114 The third-party equity investor has rights that are limited to administrative matters. [FIN 46(R), paragraph Cn20, sequence 287.2.2.2.1.4.2]

810-10-55-115 To evaluate the facts and circumstances and determine which reporting entity, if any, is the primary beneficiary of a VIE, paragraph 810-10-25-38A requires that a reporting entity determine the purpose and design of the VIE, including the risks that the VIE was designed to create and pass through to its variable interest holders. In making this assessment, the variable interest holders of the VIE determined the following: [FIN 46(R), paragraph Cn21, sequence 287.2.2.2.1.4.3]

- a. The primary purposes for which the VIE was created were to provide investors with the ability to invest in a pool of asset-backed securities, to earn a positive spread between the interest that the VIE earns on its portfolio and the interest paid to the debt investors, and to generate management fees for the manager. [FIN 46(R), paragraph Cn21, sequence 287.2.2.2.1.4.4]
- b. The transaction was marketed to potential debt investors as an investment in a portfolio of asset-backed securities with exposure to the credit risk associated with the possible default by the issuers of the asset-backed securities in the portfolio and to the interest rate risk associated with the management of the portfolio. Additionally, the marketing of the transaction indicated that such risks would be mitigated by the support from the equity tranche. [FIN 46(R), paragraph Cn21, sequence 287.2.2.2.1.4.5]
- c. The equity tranche was designed to absorb the first dollar risk of loss related to credit risk and interest rate risk and to receive any residual returns from a favorable change in interest rates or credit risk that affects the proceeds received on the sale of asset-backed securities in the portfolio. [FIN 46(R), paragraph Cn21, sequence 287.2.2.2.1.4.6]

810-10-55-116 The third-party debt investors, the third-party equity investor, and the manager are the variable interest holders in the VIE. The fees paid to the manager represent a variable interest on the basis of a consideration of the

conditions in paragraphs 810-10-55-37 through 55-38. **[FIN 46(R), paragraph Cn22, sequence 287.2.2.2.1.4.7]**

810-10-55-117 Paragraph 810-10-25-38B requires that a reporting entity identify which activities most significantly impact the VIE's economic performance and determine whether it has the power to direct those activities. The economic performance of the VIE is most significantly impacted by the performance of the VIE's portfolio of assets. Thus, the activities that most significantly impact the VIE's economic performance are the activities that most significantly impact the performance of the portfolio of assets. The manager has the ability to manage the VIE's assets within the parameters of the trust documents. If the average rating of the portfolio declines, the VIE's governing documents require that the manager's discretion in managing the portfolio be curtailed. Although the AAA-rated debt holders can remove the manager without cause, no one party has the unilateral ability to exercise the kick-out rights over the manager. Therefore, such kick-out rights would not be considered in this primary beneficiary analysis. **[FIN 46(R), paragraph Cn23, sequence 287.2.2.2.1.4.8]**

810-10-55-118 The debt holders of the VIE do not have voting rights or other rights that provide them with the power to direct activities that most significantly impact the VIE's economic performance. Although the AAA-rated debt holders can remove the manager without cause, no one party has the unilateral ability to exercise the kick-out rights over the manager. **[FIN 46(R), paragraph Cn24, sequence 287.2.2.2.1.4.9]**

810-10-55-119 The third-party equity investor has the power to direct certain activities. However, the activities that the third-party equity investor has the power to direct are administrative and do not most significantly impact the VIE's economic performance. **[FIN 46(R), paragraph Cn25, sequence 287.2.2.2.1.5.1]**

810-10-55-120 If a reporting entity has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, then under the requirements of paragraph 810-10-25-38A, that reporting entity also is required to determine whether it has the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The manager, as the 35 percent equity tranche holder, has the obligation to absorb losses and the right to receive benefits. As equity tranche holder, the manager has the most subordinate tranche and therefore absorbs 35 percent of the first dollar risk of loss and has the right to receive 35 percent of any residual benefits. Furthermore, the manager receives a performance-based fee that provides it with the right to receive benefits of the VIE. Through the equity interest and performance-based fee, the manager has the obligation to absorb losses of the VIE that could potentially be significant to the VIE and the right to receive benefits from the VIE that could potentially be significant to the VIE. **[FIN 46(R), paragraph Cn26, sequence 287.2.2.2.1.5.2]**

810-10-55-121 On the basis of the specific facts and circumstances presented in this Case and the analysis performed, the manager would be deemed to be the primary beneficiary of the VIE because: [FIN 46(R), paragraph Cn27, sequence 287.2.2.2.1.5.3]

- a. It is the variable interest holder with the power to direct the activities of the VIE that most significantly impact the VIE's economic performance (and no single entity has the unilateral ability to exercise kick-out rights). [FIN 46(R), paragraph Cn27, sequence 287.2.2.2.1.5.4]
- b. Through its equity interest and performance-based fee, it has the obligation to absorb losses of the VIE that could potentially be significant to the VIE and the right to receive benefits from the VIE that could potentially be significant to the VIE. [FIN 46(R), paragraph Cn27, sequence 287.2.2.2.1.5.5]

> > > Case C: Structured Investment Vehicle

810-10-55-122 A VIE is created and financed with \$94 of AAA-rated fixed-rate short-term debt with a 6-month maturity and \$6 of equity. The VIE uses the proceeds to purchase a portfolio of floating-rate debt with an average life of four years and varying interest rates and short-term deposits with highly rated banks. The short-term debt securities and equity are held by multiple third-party investors. Upon maturity of the short-term debt, the VIE will either refinance the debt with existing investors or reissue the debt to new investors at existing market rates. [FIN 46(R), paragraph Cn28, sequence 287.2.2.2.1.5.6]

810-10-55-123 The primary purpose of the VIE is to generate profits by maximizing the spread it earns on its asset portfolio and its weighted-average cost of funding. The transaction was marketed to potential debt investors as an investment in a portfolio of high-quality debt with exposure to the credit risk associated with the possible default by the issuers of the debt in the portfolio. The equity tranche is designed to absorb the first dollar risk of loss related to credit, liquidity, market value, and interest rate risk and to receive any benefit from a favorable change in credit, market value, and interest rates. [FIN 46(R), paragraph Cn29, sequence 287.2.2.2.1.5.7]

810-10-55-124 The VIE is exposed to liquidity risk because the average tenor of the assets is greater than its liabilities. To mitigate liquidity risk, the VIE maintains a certain portion of its assets in short-term deposits with highly rated banks. The VIE has not entered into a liquidity facility to further mitigate liquidity risk. [FIN 46(R), paragraph Cn30, sequence 287.2.2.2.1.5.8]

810-10-55-125 The sponsor of the VIE was significantly involved with the creation of the VIE. The sponsor performs various functions to manage the operations of the VIE, which include: [FIN 46(R), paragraph Cn31, sequence 287.2.2.2.1.5.9]

- a. Investment management—This management must adhere to the investment guidelines established at inception of the VIE. These guidelines include descriptions of eligible investments and requirements regarding the composition of the credit portfolio (including limits on country risk exposures, diversification limits, and ratings requirements). [FIN 46(R), paragraph Cn31, sequence 287.2.2.2.1.6]
- b. Funding management—This function provides funding management and operational support in relation to the debt issued and the equity with the objective of minimizing the cost of borrowing, managing interest rate and liquidity risks, and managing the capital adequacy of the VIE. [FIN 46(R), paragraph Cn31, sequence 287.2.2.2.1.6.2]
- c. Defeasance management—An event of defeasance occurs upon the failure of the rating agencies to maintain the ratings of the debt securities issued by the VIE at or above certain specified levels. In the event of defeasance, the sponsor is responsible for overseeing the orderly liquidation of the investment portfolio and the orderly discharge of the VIE's obligations. This includes managing the market and credit risks of the portfolio. [FIN 46(R), paragraph Cn31, sequence 287.2.2.2.1.6.3]

810-10-55-126 For its services, the sponsor receives a fixed fee, calculated as an annual percentage of the aggregate equity outstanding, and a performance-based fee, calculated as a percentage of the VIE's profit above a targeted return. [FIN 46(R), paragraph Cn32, sequence 287.2.2.2.1.6.4]

810-10-55-127 The debt security holders of the VIE have no voting rights. The equity holders have limited voting rights that are typically limited to voting on amendments to the constitutional documents of the VIE. [FIN 46(R), paragraph Cn33, sequence 287.2.2.2.1.6.5]

810-10-55-128 To evaluate the facts and circumstances and determine which reporting entity, if any, is the primary beneficiary of a VIE, paragraph 810-10-25-38A requires that a reporting entity determine the purpose and design of the VIE, including the risks that the VIE was designed to create and pass through to its variable interest holders. In making this assessment, the variable interest holders of the VIE determined the following: [FIN 46(R), paragraph Cn34, sequence 287.2.2.2.1.6.6]

- a. The primary purposes for which the VIE was created were to provide investors with the ability to invest in a pool of high-quality debt, to maximize the spread it earns on its asset portfolio over its weighted-average cost of funding, and to generate management fees for the sponsor. [FIN 46(R), paragraph Cn34, sequence 287.2.2.2.1.6.7]
- b. The transaction was marketed to potential debt investors as an investment in a portfolio of high-quality debt with exposure to the credit risk associated with the possible default by the issuers of the debt in

the portfolio. [FIN 46(R), paragraph Cn34, sequence 287.2.2.2.1.6.8]

- c. The equity tranche is negotiated to absorb the first dollar risk of loss related to credit, liquidity, market value, and interest rate risk and to receive a portion of the benefit from a favorable change in credit, market value, and interest rates. [FIN 46(R), paragraph Cn34, sequence 287.2.2.2.1.6.9]
- d. The principal risks to which the VIE is exposed include credit, interest rate, and liquidity risk. [FIN 46(R), paragraph Cn34, sequence 287.2.2.2.1.7.1]

810-10-55-129 The third-party debt investors, the third-party equity investors, and the sponsor are the variable interest holders in the VIE. The fees paid to the sponsor represent a variable interest on the basis of a consideration of the conditions in paragraphs 810-10-55-37 through 55-38. [FIN 46(R), paragraph Cn35, sequence 287.2.2.2.1.7.2]

810-10-55-130 Paragraph 810-10-25-38B requires that a reporting entity identify which activities most significantly impact the VIE's economic performance and determine whether it has the power to direct those activities. The economic performance of the VIE is significantly impacted by the performance of the VIE's portfolio of assets and by the terms of the short-term debt. Thus, the activities that significantly impact the VIE's economic performance are the activities that significantly impact the performance of the portfolio of assets and the terms of the short-term debt (when the debt is refinanced or reissued). The sponsor manages the VIE's investment, funding, and defeasance activities. The fact that the sponsor was significantly involved with the creation of the VIE does not, in isolation, result in the sponsor being the primary beneficiary of the VIE. However, the fact that the sponsor was involved with the creation of the VIE indicated that the sponsor had the opportunity and the incentive to establish arrangements that result in the sponsor being the variable interest holder with the power to direct the activities that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn36, sequence 287.2.2.2.1.7.3]

810-10-55-131 The debt security holders of the VIE have no voting rights and no other rights that provide them with the power to direct the activities that most significantly impact the VIE's economic performance. Although the equity holders have voting rights, they are limited to voting on amendments to the constitutional documents of the VIE, and those rights do not provide the equity holders with the power to direct the activities that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn37, sequence 287.2.2.2.1.7.4]

810-10-55-132 If a reporting entity has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, then under the requirements of paragraph 810-10-25-38A, that reporting entity also is required to determine whether it has the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE

that could potentially be significant to the VIE. The sponsor, through its performance-based fee arrangement, receives benefits that could potentially be significant to the VIE. As the entity is designed to earn a spread between the returns on the assets and the liabilities, the sponsor receives a significant portion of the primary benefit the VIE was designed to create. The sponsor also considered whether it had an implicit financial responsibility to ensure that the VIE operates as designed. The sponsor determined that it has an implicit financial responsibility and that such obligation could potentially be significant. This determination was influenced by the sponsor's concern regarding the risk to its reputation in the marketplace if the VIE did not operate as designed. [FIN 46(R), paragraph Cn38, sequence 287.2.2.2.1.7.5]

810-10-55-133 On the basis of the specific facts and circumstances presented in this Case and the analysis performed, the sponsor would be deemed to be the primary beneficiary of the VIE because: [FIN 46(R), paragraph Cn39, sequence 287.2.2.2.1.7.6]

- a. It is the variable interest holder with the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn39, sequence 287.2.2.2.1.7.7]
- b. Through its performance-based fee arrangement and implicit financial responsibility to ensure that the VIE operates as designed, it has the obligation to absorb losses of the VIE that could potentially be significant to the VIE and the right to receive benefits from the VIE that could potentially be significant to the VIE. [FIN 46(R), paragraph Cn39, sequence 287.2.2.2.1.7.8]

> > > Case D: Commercial Paper Conduit

810-10-55-134 A VIE is created by a reporting entity (the sponsor) and financed with \$98 of AAA-rated fixed-rate short-term debt with a 3-month maturity and \$2 of subordinated notes. The VIE uses the proceeds to purchase a portfolio of medium-term assets with average tenors of three years. The asset portfolio is obtained from multiple sellers. The short-term debt and subordinated notes are held by multiple third-party investors. Upon maturity of the short-term debt, the VIE will either refinance the debt with existing investors or reissue the debt to new investors. [FIN 46(R), paragraph Cn40, sequence 287.2.2.2.1.7.9]

810-10-55-135 The sponsor of the VIE provides credit enhancement in the form of a letter of credit equal to 5 percent of the VIE's assets and it provides a liquidity facility to fund the cash flow shortfalls on 100 percent of the short-term debt. Cash flow shortfalls could arise due to a mismatch between collections on the underlying assets of the VIE and payments due to the short-term debt holders or to the inability of the VIE to refinance or reissue the short-term debt upon maturity. [FIN 46(R), paragraph Cn41, sequence 287.2.2.2.1.8.1]

810-10-55-136 A credit default of the VIE's assets resulting in deficient cash flows is absorbed as follows: [FIN 46(R), paragraph Cn42, sequence 287.2.2.2.1.8.2]

- a. First by the subordinated note holders [FIN 46(R), paragraph Cn42, sequence 287.2.2.2.2.1.8.3]
- b. Second by the sponsor's letter of credit [FIN 46(R), paragraph Cn42, sequence 287.2.2.2.2.1.8.4]
- c. Third by the short-term debt holders. [FIN 46(R), paragraph Cn42, sequence 287.2.2.2.2.1.8.5]

The sponsor's liquidity facility does not advance against defaulted assets. [FIN 46(R), paragraph Cn42, sequence 287.2.2.2.2.1.8.6]

810-10-55-137 The VIE is exposed to liquidity risk because the average life of the assets is greater than that of its liabilities. The VIE enters into a liquidity facility with the sponsor to mitigate liquidity risk. [FIN 46(R), paragraph Cn43, sequence 287.2.2.2.2.1.8.7]

810-10-55-138 The transaction was marketed to potential debt investors as an investment in a portfolio of highly rated medium-term assets with minimal exposure to the credit risk associated with the possible default by the issuers of the assets in the portfolio. The subordinated notes were designed to absorb the first dollar risk of loss related to credit. The VIE is marketed to all investors as having a low probability of credit exposure due to the nature of the assets obtained. Furthermore, the VIE is marketed to the short-term debt holders as having protection from liquidity risk due to the liquidity facility provided by the sponsor. [FIN 46(R), paragraph Cn44, sequence 287.2.2.2.2.1.8.8]

810-10-55-139 The sponsor of the VIE performs various functions to manage the operations of the VIE. Specifically, the sponsor: [FIN 46(R), paragraph Cn45, sequence 287.2.2.2.2.1.8.9]

- a. Establishes the terms of the VIE [FIN 46(R), paragraph Cn45, sequence 287.2.2.2.2.1.9.1]
- b. Approves the sellers permitted to sell to the VIE [FIN 46(R), paragraph Cn45, sequence 287.2.2.2.2.1.9.2]
- c. Approves the assets to be purchased by the VIE [FIN 46(R), paragraph Cn45, sequence 287.2.2.2.2.1.9.3]
- d. Makes decisions regarding the funding of the VIE including determining the tenor and other features of the short-term debt issued [FIN 46(R), paragraph Cn45, sequence 287.2.2.2.2.1.9.4]
- e. Administers the VIE by monitoring the assets, arranging for debt placement, compiling monthly reports, and ensuring compliance with the VIE's credit and investment policies. [FIN 46(R), paragraph Cn45, sequence 287.2.2.2.2.1.9.5]

810-10-55-140 For providing credit and liquidity facilities and management services, the sponsor receives a fixed fee calculated as an annual percentage of the asset value. [FIN 46(R), paragraph Cn46, sequence 287.2.2.2.1.9.6] The short-term debt holders and subordinated note holders have no voting rights. [FIN 46(R), paragraph Cn47, sequence 287.2.2.2.1.9.7]

810-10-55-141 To evaluate the facts and circumstances and determine which reporting entity, if any, is the primary beneficiary of a VIE, paragraph 810-10-25-38A requires that a reporting entity determine the purpose and design of the VIE, including the risks that the VIE was designed to create and pass through to its variable interest holders. In making this assessment, the variable interest holders of the VIE determined the following: [FIN 46(R), paragraph Cn48, sequence 287.2.2.2.1.9.8]

- a. The primary purposes for which the VIE was created were to provide investors with the ability to invest in a pool of highly rated medium-term assets, to provide the multiple sellers to the VIE with access to lower-cost funding, to earn a positive spread between the interest that the VIE earns on its asset portfolio and its weighted-average cost of funding, and to generate fees for the sponsor. [FIN 46(R), paragraph Cn48, sequence 287.2.2.2.1.9.9]
- b. The transaction was marketed to potential debt investors as an investment in a portfolio of highly rated medium-term assets with minimal exposure to the credit risk associated with the possible default by the issuers of the assets in the portfolio. The subordinated debt is designed to absorb the first dollar risk of loss related to credit and interest rate risk. The VIE is marketed to all investors as having a low probability of credit loss due to the nature of the assets obtained. Furthermore, the VIE is marketed to the short-term debt holders as having protection from liquidity risk due to the liquidity facility provided by the sponsor. [FIN 46(R), paragraph Cn48, sequence 287.2.2.2.1.2]
- c. The principal risks to which the VIE is exposed include credit, interest rate, and liquidity. [FIN 46(R), paragraph Cn48, sequence 287.2.2.2.2.1.2]

810-10-55-142 The short-term debt holders, the third-party subordinated note holders, and the sponsor are the variable interest holders in the VIE. The fees paid to the sponsor represent a variable interest on the basis of a consideration of the conditions in paragraphs 810-10-55-37 through 55-38. [FIN 46(R), paragraph Cn49, sequence 287.2.2.2.2.1.3]

810-10-55-143 Paragraph 810-10-25-38B requires that a reporting entity identify which activities most significantly impact the VIE's economic performance and determine whether it has the power to direct those activities. The economic performance of the VIE is significantly impacted by the performance of the VIE's

portfolio of assets and by the terms of the short-term debt. Thus, the activities that significantly impact the VIE's economic performance are the activities that significantly impact the performance of the portfolio of assets and the terms of the short-term debt (when the debt is refinanced or reissued). The sponsor manages the operations of the VIE. Specifically, the sponsor establishes the terms of the VIE, approves the sellers permitted to sell to the VIE, approves the assets to be purchased by the VIE, makes decisions about the funding of the VIE including determining the tenor and other features of the short-term debt issued, and administers the VIE by monitoring the assets, arranging for debt placement, and ensuring compliance with the VIE's credit and investment policies. The fact that the sponsor was significantly involved with the creation of the VIE does not, in isolation, result in the sponsor being the primary beneficiary of the VIE. However, the fact that the sponsor was involved with the creation of the VIE may indicate that the sponsor had the opportunity and the incentive to establish arrangements that result in the sponsor being the variable interest holder with the power to direct the activities that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn50, sequence 287.2.2.2.2.1.4]

810-10-55-144 The short-term debt holders and subordinated note holders of the VIE have no voting rights and no other rights that provide them with power to direct the activities that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn51, sequence 287.2.2.2.2.1.5]

810-10-55-145 If a reporting entity has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, then under the requirements of paragraph 810-10-25-38A, that reporting entity also is required to determine whether it has the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The sponsor, through its fee arrangement, receives benefits from the VIE that could potentially be significant to the VIE. The sponsor, through its letter of credit and liquidity facility, also has the obligation to absorb losses of the VIE that could potentially be significant to the VIE. [FIN 46(R), paragraph Cn52, sequence 287.2.2.2.2.1.6]

810-10-55-146 On the basis of the specific facts and circumstances presented in this Case and the analysis performed, the sponsor would be deemed to be the primary beneficiary of the VIE because: [FIN 46(R), paragraph Cn53, sequence 287.2.2.2.2.1.7]

- a. It is the variable interest holder with the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn53, sequence 287.2.2.2.2.1.8]
- b. Through its letter of credit and liquidity facility, the sponsor has the obligation to absorb losses that could potentially be significant to the VIE, and, through its fee arrangement, the sponsor has the right to receive benefits that could potentially be significant to the VIE. [FIN 46(R), paragraph Cn53, sequence 287.2.2.2.2.1.9]

> > > Case E: Guaranteed Mortgage-Backed Securitization

810-10-55-147 A VIE is created and financed with \$100 of a single class of investment-grade 30-year fixed-rate debt securities. The VIE uses the proceeds to purchase \$100 of 30-year fixed-rate residential mortgage loans from the transferor. The VIE enters into a guarantee facility that absorbs 100 percent of the credit losses incurred on the VIE's assets. The assets acquired by the VIE are underwritten by the transferor in accordance with the parameters established by the guarantor. Additionally, all activities of the VIE are prespecified by the trust agreement and servicing guide, which are both established by the guarantor. No critical decisions are generally required for the VIE unless default of an underlying asset is reasonably foreseeable or occurs. [FIN 46(R), paragraph Cn54, sequence 287.2.2.2.2.2.1]

810-10-55-148 The transaction was marketed to potential debt security holders as an investment in a portfolio of residential mortgage loans with exposure to the credit risk of the guarantor and to the prepayment risk associated with the underlying loans of the VIE. Each month, the security holders receive interest and principal payments in proportion to their percentage ownership of the underlying loans. [FIN 46(R), paragraph Cn55, sequence 287.2.2.2.2.2.2]

810-10-55-149 If there is a shortfall in contractually required loan payments from the borrowers or if the loan is foreclosed on and the liquidation of the underlying property does not generate sufficient proceeds to meet the required payments on all securities, the guarantor will make payments to the debt securities holders to ensure timely payment of principal and accrued interest on the debt securities. [FIN 46(R), paragraph Cn56, sequence 287.2.2.2.2.2.3]

810-10-55-150 The guarantor also serves as the master servicer for the VIE. As master servicer, the guarantor services the securities issued by the VIE. Generally, if a mortgage loan is 120 days (or 4 consecutive months) delinquent, and if other circumstances are met, the guarantor has the right to buy the loan from the VIE. The master servicer can only be removed for a material breach in its obligations. As compensation for the guarantee and services provided, the guarantor receives a fee that is calculated monthly as a percentage of the unpaid principal balance on the underlying loans. [FIN 46(R), paragraph Cn57, sequence 287.2.2.2.2.2.4]

810-10-55-151 As master servicer, the guarantor also is responsible for supervising and monitoring the servicing of the residential mortgage loans (primary servicing). The VIE's governing documents provide that the guarantor is responsible for the primary servicing of the loans; however, the guarantor is allowed to, and does, hire the transferor to perform primary servicing activities that are conducted under the supervision of the guarantor. The guarantor monitors the primary servicer's performance and has the right to remove the primary servicer at any time it considers such a removal to be in the best interest

of the security holders. [FIN 46(R), paragraph Cn58, sequence 287.2.2.2.2.2.5]

810-10-55-152 The primary servicing activities are performed under the servicing guide established by the guarantor. Examples of the primary servicing activities include collecting and remitting principal and interest payments, administering escrow accounts, and managing default. When a loan becomes delinquent or it is reasonably foreseeable of becoming delinquent, the primary servicer can propose a default mitigation strategy in which the guarantor can approve, reject, or require another course of action if it considers such action is in the best interest of the security holders. As compensation for servicing the underlying loans, the transferor receives a fee that is calculated monthly as a percentage of the unpaid principal balance on the underlying loans. [FIN 46(R), paragraph Cn59, sequence 287.2.2.2.2.2.6]

810-10-55-153 To evaluate the facts and circumstances and determine which reporting entity, if any, is the primary beneficiary of a VIE, paragraph 810-10-25-38A requires that a reporting entity determine the purpose and design of the VIE, including the risks that the VIE was designed to create and pass through to its variable interest holders. In making this assessment, the variable interest holders of the VIE determined the following: [FIN 46(R), paragraph Cn60, sequence 287.2.2.2.2.2.7]

- a. The primary purposes for which the VIE was created were to provide investors with the ability to invest in a pool of residential mortgage loans with a third-party guarantee for 100 percent of the principal and interest payments due on the mortgage loans in the VIE, to provide the transferor to the VIE with access to liquidity for its originated loans and an ongoing servicing fee, and to generate fees for the guarantor. [FIN 46(R), paragraph Cn60, sequence 287.2.2.2.2.2.8]
- b. The transaction was marketed to potential debt security holders as an investment in a portfolio of residential mortgage loans with exposure to the credit risk of the guarantor and prepayment risk associated with the underlying assets of the VIE. [FIN 46(R), paragraph Cn60, sequence 287.2.2.2.2.2.9]
- c. The principal risks to which the VIE is exposed include credit risk of the underlying assets, prepayment risk, and the risk of fluctuations in the value of the underlying real estate. The credit risk of the underlying assets and the risk of fluctuations in the value of the underlying real estate are fully absorbed by the guarantor. [FIN 46(R), paragraph Cn60, sequence 287.2.2.2.2.3.1]

810-10-55-154 The debt securities holders and the guarantor are the variable interest holders in the VIE. The fees paid to the transferor do not represent a variable interest on the basis of a consideration of the conditions in paragraphs

810-10-55-37 through 55-38. [FIN 46(R), paragraph Cn61, sequence 287.2.2.2.2.3.2]

810-10-55-155 Paragraph 810-10-25-38B requires that a reporting entity identify which activities most significantly impact the VIE's economic performance and determine whether it has the power to direct those activities. The economic performance of the VIE is most significantly impacted by the performance of its underlying assets. Thus, the activities that most significantly impact the VIE's economic performance are the activities that most significantly impact the performance of the underlying assets. The guarantor, who is also the master servicer, has the ability (through establishment of the servicing terms, to appoint and remove the primary servicer, to direct default mitigation, and to purchase defaulted assets) to manage the VIE's assets that become delinquent (or may become delinquent in the reasonably foreseeable future) to improve the economic performance of the VIE. [FIN 46(R), paragraph Cn62, sequence 287.2.2.2.2.3.3]

810-10-55-156 Prepayment risk is also a risk that the VIE was designed to create and pass through. However, no variable interest holder has the power to direct activities related to such risk. [FIN 46(R), paragraph Cn63, sequence 287.2.2.2.2.3.4]

810-10-55-157 Because the guarantor is able to appoint and replace the primary servicer and direct default mitigation, the primary servicer does not have the power to direct the activities that most significantly impact the VIE's economic performance. In addition, the primary servicer and its related parties do not hold a variable interest in the VIE. Thus, the primary servicer cannot be the primary beneficiary of the VIE. Furthermore, the security holders have no voting rights and, thus, no power to direct the activities that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn64, sequence 287.2.2.2.2.3.5]

810-10-55-158 If a reporting entity has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, then under the requirements of paragraph 810-10-25-38A, that reporting entity also is required to determine whether it has the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The guarantor, through its fee arrangement, receives benefits, which may or may not potentially be significant under this analysis; however, the guarantor has the obligation to absorb losses of the VIE that could potentially be significant through its guarantee obligation. [FIN 46(R), paragraph Cn65, sequence 287.2.2.2.2.3.6]

810-10-55-159 On the basis of the specific facts and circumstances presented in this Case and the analysis performed, the guarantor would be deemed to be the primary beneficiary of the VIE because: [FIN 46(R), paragraph Cn66, sequence 287.2.2.2.2.3.7]

- a. It is the variable interest holder with the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn66, sequence 287.2.2.2.2.3.8]
- b. Through its guarantee, it has the obligation to absorb losses of the VIE that could potentially be significant to the VIE. [FIN 46(R), paragraph Cn66, sequence 287.2.2.2.2.3.9]

> > > Case F: Residential Mortgage-Backed Securitization

810-10-55-160 A VIE is created and financed with \$100 of 30-year fixed-rate debt securities. The securities are issued in 2 tranches (a \$90 senior tranche and a \$10 residual tranche). The senior tranche securities are investment grade and are widely dispersed among third-party investors. The residual tranche securities are held by the transferor. The VIE uses the proceeds to purchase \$100 of 30-year fixed-rate residential mortgage loans from a transferor. A default on the underlying loans is absorbed first by the residual tranche held by the transferor. All activities of the VIE are prespecified by a pooling and servicing agreement for the transaction. No critical decisions are generally required for the VIE unless default of an underlying asset is reasonably foreseeable or occurs. [FIN 46(R), paragraph Cn67, sequence 287.2.2.2.2.4.1]

810-10-55-161 The transaction was marketed to potential senior debt security holders as an investment in a portfolio of residential mortgage loans with exposure to the credit risk of the underlying loan borrowers and to the prepayment risk associated with the underlying loans of the VIE. Each month the security holders receive interest and principal payments in proportion to their percentage of ownership of the underlying loans. The residual tranche was designed to provide a credit enhancement to the transaction and to absorb the first dollar risk of loss related to credit. [FIN 46(R), paragraph Cn68, sequence 287.2.2.2.2.4.2]

810-10-55-162 The primary servicing responsibilities are retained by the transferor. No party has the ability to remove the transferor as servicer. [FIN 46(R), paragraph Cn69, sequence 287.2.2.2.2.4.3]

810-10-55-163 The servicing activities are performed in accordance with the pooling and servicing agreement. Examples of the servicing activities include collecting and remitting principal and interest payments, administering escrow accounts, monitoring overdue payments, and overall default management. Default management includes evaluating the borrower's financial condition to determine which loss mitigation strategy (specified in the pooling and servicing agreement) will maximize recoveries on a particular loan. The acceptable default management strategies are limited to the actions specified in the pooling and servicing agreement and include all of the following: [FIN 46(R), paragraph Cn70, sequence 287.2.2.2.2.4.4]

- a. Modifying the terms of loans when default is reasonably foreseeable [FIN 46(R), paragraph Cn70, sequence 287.2.2.2.2.4.5]
- b. Temporary forbearance on collections of principal and interest (such amounts would be added to the unpaid balance on the loan) [FIN 46(R), paragraph Cn70, sequence 287.2.2.2.2.4.6]
- c. Short sales in which the servicer allows the underlying borrower to sell the mortgaged property even if the anticipated sale price will not permit full recovery of the contractual loan amounts. [FIN 46(R), paragraph Cn70, sequence 287.2.2.2.2.4.7]

810-10-55-164 As compensation for servicing the underlying loans, the transferor receives a fee, calculated monthly as a percentage of the unpaid principal balance on the underlying loans. Although the servicing activities, particularly managing default, are required to be performed in accordance with the pooling and servicing agreement, the transferor, as servicer, has discretion in determining which strategies within the pooling and servicing agreement to utilize to attempt to maximize the VIE's economic performance. [FIN 46(R), paragraph Cn70, sequence 287.2.2.2.2.4.8]

810-10-55-165 To evaluate the facts and circumstances and determine which reporting entity, if any, is the primary beneficiary of a VIE, paragraph 810-10-25-38A requires that a reporting entity determine the purpose and design of the VIE, including the risks that the VIE was designed to create and pass through to its variable interest holders. In making this assessment, the variable interest holders of the VIE determined the following: [FIN 46(R), paragraph Cn71, sequence 287.2.2.2.2.4.9]

- a. The primary purposes for which the VIE was created were to provide investors with the ability to invest in a pool of residential mortgage loans and to provide the transferor to the VIE with access to liquidity for its originated loans and an ongoing servicing fee and potential residual returns. [FIN 46(R), paragraph Cn71, sequence 287.2.2.2.2.5.1]
- b. The transaction was marketed to potential senior debt security holders as an investment in a portfolio of residential mortgage loans with credit enhancement provided by the residual tranche and prepayment risk associated with the underlying assets of the VIE. The marketing of the transaction indicated that credit risk would be mitigated by the subordination of the residual tranche. [FIN 46(R), paragraph Cn71, sequence 287.2.2.2.2.5.2]
- c. The principal risks to which the VIE is exposed include credit of the underlying assets, prepayment risk, and the risk of fluctuations in the value of the underlying real estate. [FIN 46(R), paragraph Cn71, sequence 287.2.2.2.2.5.3]

810-10-55-166 The debt security holders and the transferor are the variable interest holders in the VIE. The fee paid to the transferor (in its role as servicer)

represents a variable interest on the basis of a consideration of the conditions in paragraphs 810-10-55-37 through 55-38. [FIN 46(R), paragraph Cn72, sequence 287.2.2.2.2.5.4]

810-10-55-167 Paragraph 810-10-25-38B requires that a reporting entity identify which activities most significantly impact the VIE's economic performance and determine whether it has the power to direct those activities. The economic performance of the VIE is most significantly impacted by the performance of its underlying assets. Thus, the activities that most significantly impact the VIE's economic performance are the activities that most significantly impact the performance of the underlying assets. The transferor, as servicer, has the ability to manage the VIE's assets that become delinquent (or are reasonably foreseeable of becoming delinquent) to improve the economic performance of the VIE. Additionally, no party can remove the transferor in its role as servicer. The default management activities are performed only after default of the underlying assets or when default is reasonably foreseeable. However, a reporting entity's ability to direct the activities of a VIE when circumstances arise or events happen constitutes power if that ability relates to the activities that most significantly impact the economic performance of the VIE. A reporting entity does not have to exercise its power in order to have power to direct the activities of an VIE. [FIN 46(R), paragraph Cn73, sequence 287.2.2.2.2.5.5]

810-10-55-168 Prepayment risk is also a risk that the VIE was designed to create and pass through. However, no variable interest holder has the power to direct matters related to such risk. [FIN 46(R), paragraph Cn74, sequence 287.2.2.2.2.5.6]

810-10-55-169 The senior security holders have no voting rights and, thus, no power to direct the activities that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn75, sequence 287.2.2.2.2.5.7]

810-10-55-170 If a reporting entity has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, then under the requirements of paragraph 810-10-25-38A, that reporting entity also is required to determine whether it has the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The transferor, through its residual tranche ownership, has the obligation to absorb losses and the right to receive benefits, either of which could potentially be significant to the VIE. The transferor, for its servicing activities, receives a fixed fee that provides it with the right to receive benefits of the VIE. The transferor concluded that those benefits could not potentially be significant to the VIE. [FIN 46(R), paragraph Cn76, sequence 287.2.2.2.2.5.8]

810-10-55-171 On the basis of the specific facts and circumstances presented in this Case and the analysis performed, the transferor would be deemed to be the primary beneficiary of the VIE because: [FIN 46(R), paragraph Cn77, sequence 287.2.2.2.2.5.9]

- a. It is the variable interest holder with the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn77, sequence 287.2.2.2.2.6.1]
- b. Through its residual tranche ownership, it has the obligation to absorb losses and the right to receive benefits, either of which could potentially be significant to the VIE. [FIN 46(R), paragraph Cn77, sequence 287.2.2.2.2.6.2]

> > Case G: Property Lease Entity

810-10-55-172 A VIE is created and financed with \$950 of 5-year fixed-rate debt and \$50 of equity. The VIE uses the proceeds from the issuance to purchase property to be leased to a lessee with an AA credit rating. The equity is subordinate to the debt because the debt is paid before any cash flows are available to the equity investors. The lease has a five-year term and is classified as a direct finance lease by the lessor and as an operating lease by the lessee. The lessee, however, is considered the owner of the property for tax purposes and, thus, receives tax depreciation benefits. [FIN 46(R), paragraph Cn78, sequence 287.2.2.2.2.6.3]

810-10-55-173 The lessee is required to provide a first-loss residual value guarantee for the expected future value of the leased property at the end of five years (the option price) up to a specified percentage of the option price, and it has a fixed-price purchase option to acquire the property for the option price. If the lessee does not exercise the fixed-price purchase option at the end of the lease term, the lessee is required to remarket the property on behalf of the VIE. If the property is sold for an amount less than the option price, the lessee is required to pay the VIE the difference between the option price and the sales proceeds, which is not to exceed a specified percentage of the option price. If the property is sold for an amount greater than the option price, the lessee is entitled to the excess of the sales proceeds over the option price. A third-party residual value guarantor provides a very small additional residual value guarantee to the lessor VIE, which allows the lessor to achieve direct financing lease treatment. [FIN 46(R), paragraph Cn79, sequence 287.2.2.2.2.6.4]

810-10-55-174 The governing documents for the VIE do not permit the VIE to buy additional assets or sell existing assets during the five-year holding period, and the terms of the lease agreement and the governing documents for the VIE do not provide the equity holders with the power to direct any activities of the VIE. The VIE was formed so that the lessee would have rights to use the property under an operating lease and would retain substantially all of the risks and rewards from appreciation or depreciation in value of the leased property. [FIN 46(R), paragraph Cn80, sequence 287.2.2.2.2.6.5]

810-10-55-175 The transaction was marketed to potential investors as an investment in a portfolio of AA-rated assets collateralized by leased property that

would provide a fixed-rate return to debt holders equivalent to AA-rated assets. The return to equity investors is expected to be slightly greater than the return to the debt investors because the equity is subordinated to the debt. [FIN 46(R), paragraph Cn81, sequence 287.2.2.2.2.6.6]

810-10-55-176 To evaluate the facts and circumstances and determine which reporting entity, if any, is the primary beneficiary of a VIE, paragraph 810-10-25-38A requires that a reporting entity determine the purpose and design of the VIE, including the risks that the VIE was designed to create and pass through to its variable interest holders. In making this assessment, the variable interest holders of the VIE determined the following: [FIN 46(R), paragraph Cn82, sequence 287.2.2.2.2.6.7]

- a. The primary purpose for which the VIE was created was to provide the lessee with use of the property for five years with substantially all of the rights and obligations of ownership, including tax benefits. [FIN 46(R), paragraph Cn82, sequence 287.2.2.2.2.6.8]
- b. The VIE was marketed to potential investors as an investment in a portfolio of AA-rated assets collateralized by leased property that would provide a fixed-rate return to debt holders equivalent to AA-rated assets. The return to equity investors is expected to be slightly greater than the return to the debt investors because the equity is subordinated to the debt. [FIN 46(R), paragraph Cn82, sequence 287.2.2.2.2.6.9]
- c. The residual value guarantee effectively transfers substantially all of the risk associated with the underlying property (that is, decreases in value) to the lessee and the fixed-price purchase option effectively transfers substantially all of the rewards from the underlying property (that is, increases in value) to the lessee. [FIN 46(R), paragraph Cn82, sequence 287.2.2.2.2.7.1]
- d. The VIE is designed to be exposed to the risks associated with a cumulative change in fair value of the leased property at the end of five years as well as credit risk related to the potential default by the lessee of its contractually required lease payments. [FIN 46(R), paragraph Cn82, sequence 287.2.2.2.2.7.2]

810-10-55-177 The debt investors, the equity investors, and the lessee are the variable interest holders in the VIE. [FIN 46(R), paragraph Cn83, sequence 287.2.2.2.2.7.3]

810-10-55-178 Paragraph 810-10-25-38B requires that a reporting entity identify which activities most significantly impact the VIE's economic performance and determine whether it has the power to direct those activities. The economic performance of the VIE is significantly impacted by the fair value of the underlying property and the credit of the lessee. The lessee's maintenance and operation of the leased property has a direct effect on the fair value of the underlying property, and the lessee directs the remarketing of the property. The

lessee also has the ability to increase the benefits it can receive and limit the losses it can suffer by the manner in which it uses the property and how it remarkets the property. [FIN 46(R), paragraph Cn84, sequence 287.2.2.2.2.7.4]

810-10-55-179 The debt holders do not have the power to direct activities that most significantly impact the VIE's economic performance. Although the equity holders establish the terms of the lease agreement, the terms of the lease agreement do not provide the equity holders with the power to direct activities that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn85, sequence 287.2.2.2.2.7.5]

810-10-55-180 If a reporting entity has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, then under the requirements of paragraph 810-10-25-38A, that reporting entity also is required to determine whether it has the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The lessee has both the obligation to absorb losses that could potentially be significant to the VIE and the right to receive benefits that could potentially be significant to the VIE through the residual value guarantee and the purchase option, respectively. [FIN 46(R), paragraph Cn86, sequence 287.2.2.2.2.7.6]

810-10-55-181 On the basis of the specific facts and circumstances presented in this Case and the analysis performed, the lessee would be deemed the primary beneficiary of the VIE because: [FIN 46(R), paragraph Cn87, sequence 287.2.2.2.2.7.7]

- a. It is the variable interest holder with the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn87, sequence 287.2.2.2.2.7.8]
- b. Through its residual value guarantee and purchase option, it has the obligation to absorb losses of the VIE that could potentially be significant to the VIE and the right to receive benefits from the VIE that could potentially be significant to the VIE. [FIN 46(R), paragraph Cn87, sequence 287.2.2.2.2.7.9]

> > > Case H: Collaboration—Joint Venture Arrangement

810-10-55-182 The following Cases illustrate the application of the guidance in paragraphs 810-10-25-38A through 25-38G related to the determination of the entity that has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance.

- a. Joint decision making, different activities (Case H1)
- b. Separate decision making, different activities (Case H2)

- c. Separate decision making, same activities (Case H3)
- d. Separate decision making, similar and different activities (Case H4).

810-10-55-183 Each of the Cases share the following assumptions:

- a. Reporting Entity A and Reporting Entity B form a VIE to manufacture, distribute, and sell a beverage. The VIE is funded with \$95 million of 20-year fixed-rate debt and \$5 million of equity. The debt is widely dispersed among third-party investors. The equity is held by Reporting Entity A and Reporting Entity B. Reporting Entity A and Reporting Entity B are not related parties. [FIN 46(R), paragraph Cn88, sequence 287.2.2.2.2.8.1]
- b. Reporting Entity A and Reporting Entity B each have 50 percent of the voting rights and each represents 50 percent of the board of directors. [FIN 46(R), paragraph Cn88, sequence 287.2.2.2.2.8.2]
- c. Reporting Entity A is a beverage manufacturer and distributor. Reporting Entity B is also a beverage manufacturer and distributor. [FIN 46(R), paragraph Cn88, sequence 287.2.2.2.2.8.3]

> > > Case H1: Joint Decision Making, Different Activities

810-10-55-184 Reporting Entity A is responsible for manufacturing the beverage. Reporting Entity B is responsible for distributing and selling the beverage. Decisions about the manufacturing, distributing, and selling of the beverage require the consent of both Reporting Entity A and Reporting Entity B. All other decisions about the VIE are jointly decided by Reporting Entity A and Reporting Entity B through their voting interests and equal board representation. Any matters that cannot be resolved or agreed upon must be resolved through a third-party arbitration process. [FIN 46(R), paragraph Cn88, sequence 287.2.2.2.2.8.4]

810-10-55-185 To evaluate the facts and circumstances and determine which reporting entity, if any, is the primary beneficiary of a VIE, paragraph 810-10-25-38A requires that a reporting entity determine the purpose and design of the VIE, including the risks that the VIE was designed to create and pass through to its variable interest holders. In making this assessment, the variable interest holders of the VIE determined that the primary purpose for which the VIE was created was to provide Reporting Entity A with access to Reporting Entity B's distribution and sales network and for Reporting Entity B to gain access to Reporting Entity A's manufacturing process and technology. [FIN 46(R), paragraph Cn89, sequence 287.2.2.2.2.8.5]

810-10-55-186 Reporting Entity A and Reporting Entity B (through their equity investment) and the debt investors are the variable interest holders in the VIE. [FIN 46(R), paragraph Cn90, sequence 287.2.2.2.2.8.6]

810-10-55-187 Paragraph 810-10-25-38B requires that a reporting entity identify which activities most significantly impact the VIE's economic performance and determine whether it has the power to direct those activities. The economic performance of the VIE is significantly impacted by the manufacturing of the beverage and by the selling and distributing of the beverage. Thus, the activities that significantly impact the VIE's economic performance are the activities that significantly impact the manufacturing of the beverage and the selling and distributing of the beverage. [FIN 46(R), paragraph Cn91, sequence 287.2.2.2.2.2.8.7]

810-10-55-188 Paragraph 810-10-25-38D provides that if a reporting entity determines that power is, in fact, shared among multiple parties such that no one party has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, then no party is the primary beneficiary. Power is shared if two or more unrelated parties together have the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, and if decisions about those activities require the consent of each of the parties sharing power. [FIN 46(R), paragraph Cn92, sequence 287.2.2.2.2.2.8.8]

810-10-55-189 Reporting Entity A and Reporting Entity B share the power to direct the activities that will most significantly impact the economic performance of the VIE through their ability to make decisions about the manufacturing, distributing, and selling of the beverage and because of the fact that those decisions require each party's consent. [FIN 46(R), paragraph Cn93, sequence 287.2.2.2.2.2.8.9]

810-10-55-190 The debt holders of the VIE have no voting rights and no other rights that provide them with the power to direct the activities that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn94, sequence 287.2.2.2.2.2.9.1]

810-10-55-191 If a reporting entity has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, then under the requirements of paragraph 810-10-25-38A, that reporting entity also is required to determine whether it has the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Reporting Entity A and Reporting Entity B both have the obligation to absorb losses and the right to receive benefits that could potentially be significant to the VIE through their equity interests. [FIN 46(R), paragraph Cn95, sequence 287.2.2.2.2.2.9.2]

810-10-55-192 On the basis of the specific facts and circumstances presented in this Case and the analysis performed, the VIE does not have a primary beneficiary because the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, is, in fact, shared among multiple parties (Reporting Entity A and Reporting Entity B) such that no one party has the power to direct the activities of the VIE that most significantly

impact the VIE's economic performance. [FIN 46(R), paragraph Cn96, sequence 287.2.2.2.2.9.3]

> > > Case H2: Separate Decision Making, Different Activities

810-10-55-193 Assume that decisions about the manufacturing, distributing, and selling of the beverage do not require the consent of both Reporting Entity A and Reporting Entity B. Each reporting entity would be required to identify which activities most significantly impact the VIE's economic performance and determine whether it has the power to direct those activities. The party with the power to direct those activities would be the primary beneficiary of the VIE. Because decisions about these activities do not require the consent of both Reporting Entity A and Reporting Entity B, power would not be considered shared, and either Reporting Entity A or Reporting Entity B would be the primary beneficiary of the VIE, on the basis of which party has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn97, sequence 287.2.2.2.2.9.4]

> > > Case H3: Separate Decision Making, Same Activities

810-10-55-194 Assume that Reporting Entity A and Reporting Entity B each manufacture, distribute, and sell the beverage in different locations, but decisions about these activities do not require the consent of both Reporting Entity A and Reporting Entity B. That is, each reporting entity is responsible for the same activities. Because decisions about these activities do not require the consent of both Reporting Entity A and Reporting Entity B, power would not be considered shared. [FIN 46(R), paragraph Cn98, sequence 287.2.2.2.2.9.5]

810-10-55-195 If a reporting entity concludes that power is not shared but the activities that most significantly impact the VIE's economic performance are directed by multiple unrelated parties and the nature of the activities that each party is directing is the same, the party, if any, with the power over the majority of those activities shall be considered to have the power to direct the activities of a VIE that most significantly impact the VIE's economic performance. If no party directs the majority of those activities, the VIE does not have a primary beneficiary. [FIN 46(R), paragraph Cn99, sequence 287.2.2.2.2.9.6]

810-10-55-196 If Reporting Entity A or Reporting Entity B has power over the majority of those activities, then that party would be the primary beneficiary of the VIE. [FIN 46(R), paragraph Cn100, sequence 287.2.2.2.2.9.7]

> > > Case H4: Separate Decision Making, Similar and Different Activities

810-10-55-197 Assume that Reporting Entity A and Reporting Entity B are each responsible for manufacturing the beverage, but Reporting Entity B is also

responsible for all of the distributing and selling of the beverage, and decisions about the manufacturing, distributing, and selling of the beverage do not require the consent of both Reporting Entity A and Reporting Entity B. Each reporting entity would be required to identify which activities most significantly impact the VIE's economic performance and determine whether it has the power to direct those activities. The party with the power to direct those activities would be the primary beneficiary of the VIE. That is, power would not be considered shared, and either Reporting Entity A or Reporting Entity B would be the primary beneficiary of the VIE. However, if a reporting entity concludes that power is not shared but the activities that most significantly impact the VIE's economic performance are directed by multiple unrelated parties and the nature of the activities that each party is directing is the same, the party, if any, with the power over the majority of those activities shall be considered to have the power to direct the activities of a VIE that most significantly impact the VIE's economic performance. If no party directs the majority of those activities, the VIE does not have a primary beneficiary. [FIN 46(R), paragraph Cn101, sequence 287.2.2.2.2.9.8]

810-10-55-198 Reporting Entity B may conclude that its power over some of the manufacturing of the beverage, combined with its power over all of the distributing and selling of the beverage, results in its being the party with the power to direct the activities that most significantly impact the VIE's economic performance. However, if Reporting Entity B were to conclude that the distributing and selling of the beverage did not significantly impact the economic performance of the VIE, then the primary beneficiary of the VIE would be the party, if any, with the power over the majority of the manufacturing of the beverage. [FIN 46(R), paragraph Cn102, sequence 287.2.2.2.2.9.9]

> > > Case I: Furniture Manufacturing Entity

810-10-55-199 A VIE is created by a furniture manufacturer and a financial investor to manufacture and sell wood furniture to retail customers in a particular geographic region. The VIE was created because the furniture manufacturer has no viable distribution channel in that particular geographic region. The VIE is established with \$100 of equity, contributed by the furniture manufacturer, and \$3 million of 10-year fixed-rate debt, provided by a financial investor. The furniture manufacturer establishes the sales and marketing strategy of the VIE, manages the day-to-day activities of the VIE, and is responsible for preparing and implementing the annual budget for the VIE. The VIE has a distribution contract with a third party that does not represent a variable interest in the VIE. Interest is paid to the fixed-rate debt holder (the financial investor) from operations before funds are available to the equity holder. The furniture manufacturer has guaranteed the fixed-rate debt to the financial investor. The debt agreement includes a clause such that if there is a materially adverse change that materially impairs the ability of the VIE and the furniture manufacturer to pay the debt, then the financial investor can take possession of all the assets of the VIE. An

independent third party must objectively determine whether a materially adverse change has occurred on the basis of the terms of the debt agreement (an example of a materially adverse change under the debt agreement is the bankruptcy of the VIE). [FIN 46(R), paragraph Cn103, sequence 287.2.2.2.3.1.1]

810-10-55-200 To evaluate the facts and circumstances and determine which reporting entity, if any, is the primary beneficiary of a VIE, paragraph 810-10-25-38A requires that a reporting entity determine the purpose and design of the VIE, including the risks that the VIE was designed to create and pass through to its variable interest holders. In making this assessment, the variable interest holders of the VIE determined the following: [FIN 46(R), paragraph Cn104, sequence 287.2.2.2.3.1.2]

- a. The primary purpose for which the VIE was created was to enable the furniture manufacturer to extend its existing business line into a particular geographic region that lacked a viable distribution channel. [FIN 46(R), paragraph Cn104, sequence 287.2.2.2.3.1.3]
- b. The VIE was marketed to the financial investor as a fixed-rate investment in a retail operating entity, supported by the furniture manufacturer's expertise and guarantee. [FIN 46(R), paragraph Cn104, sequence 287.2.2.2.3.1.4]
- c. The furniture manufacturer's guarantee of the debt effectively transfers all of the operating risk of the VIE to the furniture manufacturer. [FIN 46(R), paragraph Cn104, sequence 287.2.2.2.3.1.5]

810-10-55-201 The furniture manufacturer and the financial investor (debt holder) are the variable interest holders in the VIE. [FIN 46(R), paragraph Cn105, sequence 287.2.2.2.3.1.6]

810-10-55-202 Paragraph 810-10-25-38B requires that a reporting entity identify which activities most significantly impact the VIE's economic performance and determine whether it has the power to direct those activities. The economic performance of the VIE is most significantly impacted by the operations of the VIE because the operating cash flows of the VIE are used to repay the financial investor. Thus, the activities that most significantly impact the VIE's economic performance are the operating activities of the VIE. The furniture manufacturer has the ability to establish the sales and marketing strategy of the VIE and manage the day-to-day activities of the VIE. [FIN 46(R), paragraph Cn106, sequence 287.2.2.2.3.1.7]

810-10-55-203 The debt holder has the power to take possession of all of the assets of the VIE if there is a materially adverse change under the debt agreement. However, the debt holder's rights under the materially adverse change clause represent protective rights{Glossary-Protective Rights}. Protective rights held by other parties do not preclude a reporting entity from

having the power to direct the activities of a VIE that most significantly impact the VIE's economic performance. Protective rights are designed to protect the interests of the party holding those rights without giving that party a controlling financial interest in the VIE to which they relate. The debt holder's rights protect the interests of the debt holder; however, the VIE's economic performance is most significantly impacted by the activities over which the furniture manufacturer has power. The debt holder's protective rights do not prevent the furniture manufacturer from having the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn107, sequence 287.2.2.2.3.1.8]

810-10-55-204 If a reporting entity has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, then under the requirements of paragraph 810-10-25-38A, that reporting entity also is required to determine whether it has the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits that could potentially be significant to the VIE. The furniture manufacturer has the obligation to absorb losses that could potentially be significant through its equity interest and debt guarantee and the right to receive benefits that could potentially be significant through its equity interest. [FIN 46(R), paragraph Cn108, sequence 287.2.2.2.3.1.9]

810-10-55-205 On the basis of the specific facts and circumstances presented in this Case and the analysis performed, the furniture manufacturer would be the primary beneficiary of the VIE because: [FIN 46(R), paragraph Cn109, sequence 287.2.2.2.3.2.1]

- a. It is the variable interest holder with the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. [FIN 46(R), paragraph Cn109, sequence 287.2.2.2.3.2.2]
- b. Through its equity interest and debt guarantee, it has the obligation to absorb losses of the VIE that could potentially be significant to the VIE and the right to receive benefits from the VIE that could potentially be significant to the VIE. [FIN 46(R), paragraph Cn109, sequence 287.2.2.2.3.2.3]

46. Amend paragraph 810-10-65-1, with no link to a transition paragraph, as follows:

> Transition Related to FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*—an amendment of ARB No. 51

810-10-65-1 The following represents the transition and, effective date information related to FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*—an amendment of ARB No. 51:

- a. Except as noted in item (d), the pending content that links to this paragraph is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited.
- b. The pending content that links to this paragraph shall be applied prospectively as of the beginning of the fiscal year in which that content is initially adopted, except for the presentation and disclosure requirements. The presentation and disclosure requirements shall be applied retrospectively for all periods presented, as follows:
 - 1. The noncontrolling interest shall be reclassified to equity in accordance with paragraph 810-10-45-16.
 - 2. Consolidated net income shall be adjusted to include the net income attributed to the noncontrolling interest.
 - 3. Consolidated comprehensive income shall be adjusted to include the comprehensive income attributed to the noncontrolling interest.
 - 4. The disclosures in paragraphs 810-10-50-1A through 50-1B shall be provided.
- c. Paragraph 810-10-45-21 requires that the noncontrolling interest continue to be attributed its share of losses even if that attribution results in a deficit noncontrolling interest balance. If, in the year of adoption, an entity's consolidated net income attributable to the parent would have been significantly different had the prior requirement in paragraph 810-10-45-7 been applied, the entity shall disclose pro forma consolidated net income attributable to the parent and pro forma earnings per share as if the previous prior requirement in paragraph 810-10-45-7 had been applied in the year of adoption.
- d. Not-for-profit entities (NFPs) shall not apply the pending text that links to this paragraph.
- e. The pending content linked to this paragraph may amend or supersede either nonpending content or other pending content with different or the same effective dates. If a paragraph contains multiple pending content versions of that paragraph, it may be necessary to refer to the transition paragraphs of all such pending content to determine the paragraph that is applicable to a particular fact pattern.

47. Add paragraph 810-10-65-2 and its related heading as follows:

> Transition Related to FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R)

810-10-65-2 The following represents the transition and effective date information related to FASB Statement No. 167, *Amendments to FASB Interpretation No. 46(R)*:

- a. The pending content that links to this paragraph is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. For public entities, in periods after initial adoption, comparative disclosures for those disclosures that were not previously required by paragraphs 810-10-50-7 through 50-19 are required only for periods after the effective date. Comparative information for disclosures previously required by those paragraphs that are also required by the pending content in the Variable Interest Entities Subsections shall be presented. For nonpublic entities, in periods after initial adoption, comparative disclosures for those disclosures that were not previously required are required only for periods after the effective date. Comparative information for disclosures previously required that are also required by the pending content in the Variable Interest Entities Subsections shall be presented. [FAS 167, paragraph 4, sequence 4]
- b. If a reporting entity is required to consolidate a **variable interest entity** (VIE) as a result of the initial application of the pending content that links to this paragraph, the initial measurement of the assets, liabilities, and noncontrolling interests of the VIE depends on whether the determination of their carrying amounts is practicable. In this context, *carrying amounts* refers to the amounts at which the assets, liabilities, and noncontrolling interests would have been carried in the consolidated financial statements if the requirements of the pending content that links to this paragraph had been effective when the reporting entity first met the conditions to be the **primary beneficiary**. [FAS 167, paragraph 5, sequence 5.1]
 1. If determining the carrying amounts is practicable, the consolidating entity shall initially measure the assets, liabilities, and noncontrolling interests of the VIE at their carrying amounts at the date the requirements of the pending content that links to this paragraph first apply. [FAS 167, paragraph 5, sequence 5.1]
 2. If determining the carrying amounts is not practicable, the assets, liabilities, and noncontrolling interests of the VIE shall be measured at fair value at the date the pending content that links to this paragraph first applies. However, [FAS 167, paragraph 5, sequence 5.2] as an alternative to this fair value measurement requirement, [FAS 167, paragraph 5, sequence 5.5] the assets and liabilities of the VIE may be measured at their unpaid principal balances [FAS 167, paragraph 5, sequence 5.4] at the date the pending content that links to this paragraph first applies if both of the following conditions are met. [FAS 167, paragraph 5, sequence 5.6]
 - i. The activities of the VIE are primarily related to securitizations or other forms of asset-backed financings. [FAS 167, paragraph 5, sequence 5.3.1]

- ii. The assets of the VIE can be used only to settle obligations of the entity. [FAS 167, paragraph 5, sequence 5.3.2]
This measurement alternative does not obviate the need for the primary beneficiary to recognize any accrued interest, an allowance for credit losses, or other-than-temporary impairment, as appropriate. Other assets, liabilities, or noncontrolling interests, if any, that do not have an unpaid principal balance, and any items that are required to be carried at fair value under other applicable standards, shall be measured at fair value. [FAS 167, paragraph 5, sequence 5.7]
- c. Any difference between the net amount added to the balance sheet of the consolidating entity and the amount of any previously recognized interest in the newly consolidated VIE shall be recognized as a cumulative effect adjustment to retained earnings. [FAS 167, paragraph 5, sequence 5.8] A reporting entity shall describe the transition method(s) applied and shall disclose the amount and classification in its statement of financial position of the consolidated assets or liabilities by the transition method(s) applied. [FAS 167, paragraph 5, sequence 5.9]
- d. A reporting entity that is required to consolidate a VIE as a result of the initial application of the pending content in the Variable Interest Entities Subsections may elect the fair value option provided by the Fair Value Option Subsections of Subtopic 825-10, only if the reporting entity elects the option for all financial assets and financial liabilities of that VIE that are eligible for this option under those Fair Value Option Subsections. This election shall be made on a VIE-by-VIE basis. Along with the disclosures required in those Fair Value Option Subsections, the consolidating reporting entity shall disclose all of the following: [FAS 167, paragraph 6, sequence 6.1]
 - i. Management's reasons for electing the fair value option for a particular VIE or group of VIE's [FAS 167, paragraph 6, sequence 6.1.1]
 - ii. The reasons for different elections if the fair value option is elected for some VIE's and not others [FAS 167, paragraph 6, sequence 6.1.2]
 - iii. Quantitative information by line item in the statement of financial position indicating the related effect on the cumulative-effect adjustment to retained earnings of electing the fair value option for a VIE. [FAS 167, paragraph 6, sequence 6.1.3]
- e. If a reporting entity is required to deconsolidate a VIE as a result of the initial application of the pending content in the Variable Interest Entities Subsections, the deconsolidating reporting entity shall initially measure any retained interest in the deconsolidated subsidiary at its carrying amount at the date the requirements of the pending content in the Variable Interest Entities Subsections first apply. In this context, carrying amount refers to the amount at which any retained interest would have

been carried in the reporting entity's financial statements if the pending content in the Variable Interest Entities Subsections had been effective when the reporting entity became involved with the VIE or no longer met the conditions to be the primary beneficiary. Any difference between the net amount removed from the balance sheet of the deconsolidating reporting entity and the amount of any retained interest in the newly deconsolidated VIE shall be recognized as a cumulative-effect adjustment to retained earnings. The amount of any cumulative-effect adjustment related to deconsolidation shall be disclosed separately from any cumulative effect adjustment related to consolidation of VIEs. [FAS 167, paragraph 7, sequence 7]

- f. The determinations of whether a legal entity is a VIE and which reporting entity, if any, is a VIE's primary beneficiary shall be made as of the date the reporting entity became involved with the legal entity or if events requiring reconsideration of the legal entity's status or the status of its variable interest holders have occurred, as of the most recent date at which the pending content in the Variable Interest Entities Subsections would have required consideration. [FAS 167, paragraph 8, sequence 8.1]
- g. If at transition it is not practicable for a reporting entity to obtain the information necessary to make the determinations in (f) above as of the date the reporting entity became involved with a legal entity or at the most recent reconsideration date, the reporting entity should make the determinations as of the date on which the pending content in the Variable Interest Entities Subsections is first applied. [FAS 167, paragraph 8, sequence 8.2]
- h. If the VIE and primary beneficiary determinations are made in accordance with subparagraphs (f) and (g) above, then the primary beneficiary shall measure the assets, liabilities, and noncontrolling interests of the VIE at fair value as of the date on which the pending content in the Variable Interest Entities Subsections is first applied. However, if the activities of the VIE are primarily related to securitizations or other forms of asset-backed financings and the assets of the VIE can be used only to settle obligations of the VIE, then the assets and liabilities of the VIE may be measured at their unpaid principal balances (as an alternative to a fair value measurement) at the date the pending content in the Variable Interest Entities Subsections first applies. This measurement alternative does not obviate the need for the primary beneficiary to recognize any accrued interest, an allowance for credit losses, or other-than-temporary impairment, as appropriate. Other assets, liabilities, or noncontrolling interests, if any, that do not have an unpaid principal balance, and any items that are required to be carried at fair value under other applicable standards, shall be measured at fair value. [FAS 167, paragraph 8, sequence 8.3]
- i. The pending content in the Variable Interest Entities Subsections may be applied retrospectively in previously issued financial statements for

one or more years with a cumulative-effect adjustment to retained earnings as of the beginning of the first year restated. [FAS 167, paragraph 9, sequence 9]

- j. The pending content linked to this paragraph may amend or supersede either nonpending content or other pending content with different or the same effective dates. If a paragraph contains multiple pending content versions of that paragraph, it may be necessary to refer to the transition paragraphs of all such pending content to determine the paragraph that is applicable to a particular fact pattern.

Amendment to Subtopic 810-20

48. Amend paragraph 810-20-05-2, with a link to transition paragraph 810-10-65-2, as follows:

Consolidation—Control of Partnerships and Similar Entities— Overview and Background

810-20-05-2 Joint venture accounting is addressed in Topic 323. Real estate joint venture accounting is addressed in Subtopic 970-323. Accounting for certain **kick-out rights** with respect to variable interest entities (VIEs) can be found in paragraph 810-10-25-38C, paragraphs 810-10-55-34 through 55-35.

Amendment to Subtopic 712-10

Compensation—Nonretirement Postemployment Benefits— Overall—Relationships

49. Amend paragraph 712-10-60-2, with a link to transition paragraph 810-10-65-2, as follows:

> Consolidation

712-10-60-2 For guidance prohibiting the consolidation of an employee benefit plan subject to the provisions of this Subtopic, see paragraph 810-10-15-12(a) 810-10-15-17.

Amendment to Subtopic 952-10

50. Add paragraph 952-10-60-3 and its related heading, with a link to transition paragraph 810-10-65-2, as follows:

Franchisors—Overall—Relationships

> Consolidation

952-10-60-3 For guidance on consolidation requirements applicable to a franchisor related to an entity that is the franchisee, see Subtopic 810-10.

Amendment to Subtopic 952-810

51. Supersede all paragraphs and headings in each Section of Subtopic 952-810, including the Glossary Section, with a link to transition paragraph 810-10-65-2, as follows:

Franchisors—Consolidation—Overview and Background

~~952-810-05-1 Paragraph superseded by Accounting Standards Update 2009-17. This Subtopic provides implementation guidance on how paragraph 810-10-15-14(b)(1) should be applied to a franchise arrangement if there is a sharing of decision-making rights between the equity investor and others.~~

Franchisors—Consolidation—Scope and Scope Exceptions

> Overall Guidance

~~952-810-15-1 Paragraph superseded by Accounting Standards Update 2009-17. This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 952-10-15.~~

Franchise Agreement

A written business agreement that meets the following principal criteria:

- ~~a. The relation between the franchisor and franchisee is contractual, and an agreement, confirming the rights and responsibilities of each party, is in force for a specified period.~~
- ~~b. The continuing relation has as its purpose the distribution of a product or service, or an entire business concept, within a particular market area.~~
- ~~c. Both the franchisor and the franchisee contribute resources for establishing and maintaining the franchise. The franchisor's contribution may be a trademark, a company reputation, products, procedures, manpower, equipment, or a process. The franchisee usually contributes operating capital as well as the managerial and operational resources required for opening and continuing the franchised outlet.~~
- ~~d. The franchise agreement outlines and describes the specific marketing practices to be followed, specifies the contribution of each party to the operation of the business, and sets forth certain operating procedures that both parties agree to comply with.~~
- ~~e. The establishment of the franchised outlet creates a business entity that will, in most cases, require and support the full time business activity of the franchisee. (There are numerous other contractual distribution arrangements in which a local businessperson becomes the authorized distributor or representative for the sale of a particular good or service, along with many others, but such a sale usually represents only a portion of the person's total business.)~~

- ~~f. Both the franchisee and the franchisor have a common public identity. This identity is achieved most often through the use of common trade names or trademarks and is frequently reinforced through advertising programs designed to promote the recognition and acceptance of the common identity within the franchisee's market area.~~

~~The payment of an initial franchise fee or a continuing royalty fee is not a necessary criterion for an agreement to be considered a franchise agreement.~~

Franchisee

~~The party who has been granted business rights (the franchise) to operate the franchised business.~~

Franchisor

~~The party who grants business rights (the franchise) to the party (the franchisee) who will operate the franchised business.~~

Franchisors—Consolidation—Implementation Guidance and Illustrations

> Implementation Guidance

>> Application of Paragraph 810-10-15-15(b)(1) to a Franchise Arrangement Where There Is a Sharing of Decision-Making Rights Between the Equity Investor and Others

~~952-810-55-1 Paragraph superseded by Accounting Standards Update 2009-17. This implementation guidance illustrates how the paragraph 810-10-15-14(b)(1) evaluation should be performed of a franchise arrangement where there is a sharing of decision making rights between the equity investors and others. This guidance assumes that the **franchisor** did not meet the conditions set forth in paragraph 810-10-15-17(d).~~

~~952-810-55-2 Paragraph superseded by Accounting Standards Update 2009-17. It is not the expectation of the Variable Interest Entities Subsections of Subtopic 810-10 that all franchise arrangements would be variable interest entities (VIEs). Rather, it is the expectation that franchise arrangements with equity sufficient to absorb expected losses would normally be designed to provide the equity group (the **franchisee**) with key decision making ability to enable it to have a significant impact on the success of the entity (the franchise).~~

That is, the decision-making authority would be sufficient for the equity group to significantly influence the fair value of the franchise. The evaluation as to whether the franchisee lacks the characteristic in paragraph 810-10-15-14(b)(1) can be difficult, since franchise arrangements typically provide franchisors certain decision making ability with respect to the operations of the franchise, the level of which can vary depending on the arrangement. There is an important distinction between having the ability to make decisions that have a significant impact on the success of a franchise and having the ability to make decisions that protect the franchisor's brand. The franchisor is effectively licensing its brand to the franchisee for a specified period of time and therefore is likely to require certain decision-making rights to ensure that the level of quality associated with the franchisor's brand is maintained. These franchisor rights do not necessarily limit the franchisee's ability to make decisions that have a significant impact on the success of the franchise. For example, a **franchise agreement** may allow the franchisor to participate in the following decisions (not intended to be all-inclusive):

- a. The right to approve the location of the retail facility or geographic area in which the franchisee is permitted to operate
- b. The right to require equipment, signs, menuboards, supplies, and other items necessary in connection with adding new approved products to be acquired, installed, and utilized at the retail facility as soon as possible consistent with franchisor requirements
- c. The right to approve the products that may be sold at the retail facility
- d. The right to approve suppliers for purchases of inventory, advertising materials, training materials, uniforms, packaging, computer hardware, insurance, and all food and beverage ingredients and products
- e. The right to approve the days and hours of operation
- f. The right to approve the franchisee's marketing plan
- g. The right to approve relocation of a retail facility
- h. The right to approve a sale of the franchise.

952-810-55-3 Paragraph superseded by Accounting Standards Update 2009-17. Although many of these decisions are important to the success of the franchise, the franchisor's ability to participate in these decisions would not necessarily result in the equity group lacking the characteristic of paragraph 810-10-15-14(b)(1). By entering into a franchise agreement, a franchisee has made a unilateral decision to operate its business in a specific location under a common trademark and system, and at the same time to adopt the franchisor's business standards. The franchisor's ability to enforce its business standards does not cause a franchise to be a VIE. The equity group would not lack the characteristic of that paragraph so long as the equity group of the franchisee maintains control over decisions that significantly impact the success of the franchise. These would typically include control over the day-to-day operations of the franchise, including, but not limited to, hiring, firing and supervising of management and

employees, establishing what prices to charge for products or services, and making capital decisions of the franchise. In addition, control over such fundamental decisions as the form (corporate, limited liability company, limited liability partnership, partnership, and so forth) of the franchise entity, its charter, how it is capitalized, and so forth may also be important to the success of the franchise.

952-810-55-4 Paragraph superseded by Accounting Standards Update 2009-17. In some situations the franchisor may provide financial support to the franchisee or the franchisee's obligation to absorb expected losses or receive expected residual returns of the franchise is limited. In those situations, the ability to make decisions that have a significant impact on the success of the franchise becomes increasingly important to the franchisor because of the additional risk borne by the franchisor. Although the level of equity as compared to expected losses may mitigate the additional risk of the franchisor, in some instances the franchisor will require the franchisee to provide the franchisor the ability to make all decisions that have a significant impact on the success of the franchise. In those instances, the equity group would lack the characteristic in paragraph 810-10-15-14(b)(1) and, as a result, the franchise would be considered a VIE. However, in other situations, the franchisor may require the franchisee to relinquish some, but not all, of its ability to make those decisions that have a significant impact on the success of the franchise. In those situations, all facts and circumstances need to be considered in determining whether the franchisee lacks the characteristic in that paragraph. The level of equity in comparison to expected losses may be a particularly telling indicator as to whether the franchisee lacks the characteristic in that paragraph. Also, the franchise may fail to have the paragraph 810-10-15-14(a) characteristic and thus be a VIE regardless of whether or not it has the characteristic of paragraph 810-10-15-14(b)(1).

952-810-55-5 Paragraph superseded by Accounting Standards Update 2009-17. It should also be noted that even if the franchise is deemed to be a VIE because the franchisee lacks the characteristic of paragraph 810-10-15-14(b)(1), the level of equity provided by the franchisee may keep the franchisor from being considered the primary beneficiary of the VIE.

Amendments to Status Sections

52. Amend paragraph 810-10-00-1, by adding the following items to the table, as follows:

810-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
810-10-05-8	Amended	2009-17	12/23/2009
810-10-05-8A	Added	2009-17	12/23/2009
810-10-05-9	Amended	2009-17	12/23/2009
810-10-05-10	Amended	2009-17	12/23/2009
810-10-15-13A	Added	2009-17	12/23/2009
810-10-15-13B	Added	2009-17	12/23/2009
810-10-15-14	Amended	2009-17	12/23/2009
810-10-15-17	Amended	2009-17	12/23/2009
810-10-15-21	Amended	2009-17	12/23/2009
Kick-out Rights	Added	2009-17	12/23/2009
Participating Rights	Added	2009-17	12/23/2009
Primary Beneficiary	Amended	2009-17	12/23/2009
Protective Rights	Added	2009-17	12/23/2009
810-10-25-21	Amended	2009-17	12/23/2009
810-10-25-22	Amended	2009-17	12/23/2009
810-10-25-36 through 25-38	Amended	2009-17	12/23/2009
810-10-25-38A through 25-38G	Added	2009-17	12/23/2009
810-10-25-39 through 25-41	Superseded	2009-17	12/23/2009
810-10-25-43	Amended	2009-17	12/23/2009
810-10-25-44	Amended	2009-17	12/23/2009
810-10-25-53	Amended	2009-17	12/23/2009
810-10-25-54	Amended	2009-17	12/23/2009
810-10-30-4	Amended	2009-17	12/23/2009
810-10-30-7	Amended	2009-17	12/23/2009
810-10-30-8	Amended	2009-17	12/23/2009
810-10-30-8A through 30-8D	Added	2009-17	12/23/2009
810-10-30-9	Amended	2009-17	12/23/2009
810-10-35-4	Amended	2009-17	12/23/2009

Paragraph Number	Action	Accounting Standards Update	Date
810-10-35-5	Superseded	2009-17	12/23/2009
810-10-45-25	Added	2009-17	12/23/2009
810-10-50-2A	Superseded	2009-17	12/23/2009
810-10-50-2AA through 50-2AC	Added	2009-17	12/23/2009
810-10-50-3	Amended	2009-17	12/23/2009
810-10-50-4	Amended	2009-17	12/23/2009
810-10-50-5	Superseded	2009-17	12/23/2009
810-10-50-5A	Added	2009-17	12/23/2009
810-10-50-5B	Added	2009-17	12/23/2009
810-10-50-6	Amended	2009-17	12/23/2009
810-10-50-7	Superseded	2009-17	12/23/2009
810-10-50-8	Superseded	2009-17	12/23/2009
810-10-50-9	Amended	2009-17	12/23/2009
810-10-50-10	Amended	2009-17	12/23/2009
810-10-50-11 through 50-19	Superseded	2009-17	12/23/2009
810-10-55-5 through 55-8	Superseded	2009-17	12/23/2009
810-10-55-16	Amended	2009-17	12/23/2009
810-10-55-21	Amended	2009-17	12/23/2009
810-10-55-24	Amended	2009-17	12/23/2009
810-10-55-28 through 55-30	Amended	2009-17	12/23/2009
810-10-55-33 through 55-36	Superseded	2009-17	12/23/2009
810-10-55-37	Amended	2009-17	12/23/2009
810-10-55-38	Amended	2009-17	12/23/2009
810-10-55-40	Amended	2009-17	12/23/2009
810-10-55-50	Amended	2009-17	12/23/2009
810-10-55-56	Amended	2009-17	12/23/2009
810-10-55-90 through 55-92	Moved to 810-10-55-206 through 55-209	2009-17	12/23/2009
810-10-55-93 through 55-205	Added	2009-17	12/23/2009
810-10-55-206 through 55-209	Moved from 810-10-55-90 through 55-92	2009-17	12/23/2009
810-10-65-1	Amended	2009-17	12/23/2009
810-10-65-2	Added	2009-17	12/23/2009

53. Amend paragraph 810-20-00-1 as follows:

810-20-00-1 ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
810-20-05-2	Amended	2009-17	12/23/2009

54. Amend paragraph 712-10-00-1 as follows:

712-10-00-1 ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
712-10-60-2	Amended	2009-17	12/23/2009

55. Add paragraph 952-10-00-1 as follows:

952-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
952-10-60-3	Added	2009-17	12/23/2009

56. Add paragraph 952-810-00-1 as follows:

952-810-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Subtopic 952-810	Superseded	2009-17	12/23/2009

Amendments to the XBRL Taxonomy

The following elements are proposed additions or modifications to the XBRL taxonomy as a result of the amendments in this Update. (Elements that currently exist in the 2009 taxonomy are marked with an asterisk* and have been **bolded**. If an existing element was modified, it has been marked to reflect any changes.)

Standard Label [†]	Definition	Codification Reference
Consolidation Variable Interest Entity Policy*	<u>Describes an entity's accounting policy regarding its principles of consolidation for Variable interest entities; the significant judgments and assumptions made in determining whether a variable interest held by the entity requires the variable interest entity to be consolidated and (or) disclose information about its involvement with the variable interest entity; the methodology used by the entity for determining whether or not it is the primary beneficiary of the variable interest entity; and the significant factors considered and judgments made in determining that the power to direct the activities that significantly impact the economic performance of the variable interest entity are shared (as defined).</u>	235-10-50-3 <u>810-10-50-2AA</u> <u>810-10-50-4</u> <u>810-10-50-5A</u>
Aggregation of Variable Interest Entity Disclosures [Text Block]*	<u>Disclosures of variable interest entities (VIE) in aggregate, including how similar entities are aggregated, if separate reporting would not provide more useful information, distinguished between (1) VIEs that are not consolidated because the enterprise is</u>	810-10-50-9 810-10-50-18

[†]The Standard Label and the Element Name are the same (except that the Element Name does not include spaces). If they are different, the Element Name is shown in *italics* after the Standard Label.

Standard Label [†]	Definition	Codification Reference
	not the primary beneficiary but has a significant variable interest or is the sponsor that holds a variable interest, and (2) VIEs that are consolidated. Presented in a manner that clearly and fully explains to financial statement users the nature and extent of an enterprise's entity's involvement with variable interest entities.	
Variable Interest Entity, Similar Entity Aggregation, Description	Describes how the entity aggregates Variable Interest Entities (VIE) for disclosure purposes, distinguishing between (a) VIEs that are not consolidated because the enterprise is not the primary beneficiary but has a variable interest and (b) VIEs that are consolidated.	810-10-50-9
Schedule of Variable Interest Entities [Text Block]*	Disclosure of variable interest entities (VIE), including, but not limited to the nature, purpose, size, and activities of the VIE, the carrying amount and classification of consolidated assets and liabilities that are collateral for the VIE's obligations, lack of recourse if creditors (or beneficial interest holders) of a consolidated VIE have no recourse to the general credit of the primary beneficiary. An enterprise that holds a significant variable interest in a VIE but is not the primary beneficiary may disclose the nature of its involvement with the VIE. Includes, but is not limited to, description of the significant judgments and assumptions made in determining whether a variable interest (as defined) held by the entity requires the variable interest entity (VIE) (as defined) to be consolidated and (or) disclose information about its involvement with the VIE, individually or in aggregate (as applicable); the	810-10-50-3 810-10-50-4 810-10-50-5 <u>810-10-50-5A</u> 810-10-50-6 810-10-50-9 810-10-50-12

Standard Label [†]	Definition	Codification Reference
	carrying amounts and classification of the VIEs' assets and liabilities in the entity's statement of financial position and the nature of restrictions, if any, on the consolidated VIE assets included in the statement of financial position, including the carrying amounts of such assets and liabilities; the nature of, changes in, the risks associated with involvement in the VIE; how involvement with the VIE affects the entity's financial position, financial performance, and cash flows; the lack of recourse by creditors of the VIE against the general credit of the entity (if applicable); the terms of arrangements of an explicit or implicit nature (as defined), if any, that could require the entity to provide financial support to the VIE; the methodology used by the entity for determining whether or not it is the primary beneficiary of the variable interest entity; the significant factors considered and judgments made in determining that the power to direct the activities that significantly impact the economic performance of the variable interest entity are shared (as defined); a tabular comparison of the carrying amounts of assets and liabilities of the VIE included in the statement of financial position and the entity's maximum exposure to loss, if any, associated with its involvement with the VIE; information about any liquidity arrangements, guarantees, and (or) other commitments by third parties that may affect the entity's variable interest; whether or not any financial support has been provided to the VIE by the entity that it was not previously required to provide and the amount of the support	

Standard Label [†]	Definition	Codification Reference
	provided or anticipated; and <u>supplemental information the entity determines necessary to provide.</u>	
Schedule of Variable Interest Entities [Table]*	Detailed item-by-item disclosures of Variable interest entities and related information according to the following classifications: (1) VIEs consolidated because the entity is the primary beneficiary, (2) VIEs not consolidated because the entity is not the primary beneficiary, and (3) VIEs or potential VIEs that are not consolidated because necessary information is not available. <u>A tabular presentation of qualitative and quantitative information related to Variable Interests the entity holds, whether or not such Variable Interest Entity (VIE) is included in the reporting entity's consolidated financial statements. Includes, but is not limited to, description of the significant judgments and assumptions made in determining whether a variable interest (as defined) held by the entity requires the variable interest entity (VIE) (as defined) to be consolidated and (or) disclose information about its involvement with the VIE, individually or in aggregate (as applicable); the carrying amounts and classification of the VIEs' assets and liabilities in the entity's statement of financial position and the nature of restrictions, if any, on the consolidated VIE assets included in the statement of financial position, including the carrying amounts of such assets and liabilities; the nature of, changes in, the risks associated with involvement in the VIE; how involvement with the VIE affects the</u>	810-10-50-3 810-10-50-4 810-10-50-5 <u>810-10-50-5A</u> 810-10-50-6 <u>810-10-50-9</u>

Standard Label [†]	Definition	Codification Reference
	entity's financial position, financial performance, and cash flows; the lack of recourse by creditors of the VIE against the general credit of the entity (if applicable); the terms of arrangements of an explicit or implicit nature (as defined), if any, that could require the entity to provide financial support to the VIE; the methodology used by the entity for determining whether or not it is the primary beneficiary of the variable interest entity; the significant factors considered and judgments made in determining that the power to direct the activities that significantly impact the economic performance of the variable interest entity are shared (as defined); a tabular comparison of the carrying amounts of assets and liabilities of the VIE included in the statement of financial position and the entity's maximum exposure to loss, if any, associated with its involvement with the VIE; information about any liquidity arrangements, guarantees, and (or) other commitments by third parties that may affect the entity's variable interest; whether or not any financial support has been provided to the VIE by the entity that it was not previously required to provide and the amount of the support provided or anticipated; and supplemental information the entity determines necessary to provide.	

Standard Label [†]	Definition	Codification Reference
Variable Interest Entities by Classification of Entity [Axis]*	Variable interest entities (VIE) categorized by (1) VIEs consolidated because the registrant is the primary beneficiary, (2) VIEs not consolidated because the registrant is not the primary beneficiary, and (3) VIEs or potential VIEs that are not consolidated because necessary information is not available. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	810-10-50-3 810-10-50-4 810-10-50-6
Variable Interest Entity, Classification [Domain]* <i>Classification of Variable Interest Entity Domain</i>	The status of the VIE with respect to the consolidated financial statements. <u>Categorization of Variable Interest Entities (VIE) for consolidation and (or) disclosure purposes, whether individually or in aggregate, by: (1) VIEs consolidated because the entity is the primary beneficiary, (2) VIEs not consolidated because the entity is not the primary beneficiary, and (3) VIEs or potential VIEs that are not consolidated because necessary information is not available. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the</u>	810-10-50-3 810-10-50-4 <u>810-10-50-5A</u> 810-10-50-6

Standard Label [†]	Definition	Codification Reference
	entity to support its activities. A VIE <u>often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.</u>	
Variable Interest Entity, Consolidated [Member]*	This element contains various elements which describe the characteristics of the entity's variable interest leading to its consolidation in the entity's financial statements. The decision to consolidate may be based on or include such factors as the power to direct the activities of a variable interest entity that most significantly impacts the entity's economic performance and the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. The entity having a variable interest (as defined) that, for example, requires it to absorb a majority of the Variable Interest Entity's (VIE) expected losses, allows it to receive a majority of the VIE's expected residual returns, or both.	
Variable Interest Entity, Primary Beneficiary [Member]*	VIE entities that are consolidated into the financial statements of the registrant that provides the reporting entity with a controlling financial interest. The entity is deemed to have a controlling interest if it has both of the following characteristics: (a) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or	810-10-05-8A 810-10-25-38 <u>810-10-25-38A</u> 810-10-25-39 810-10-50-3

Standard Label [†]	Definition	Codification Reference
	the right to receive benefits from the VIE that could potentially be significant to the VIE. The specific variable interest entities controlled by the entity may be included as children of this element. Although the registrant may not control the VIE through voting interests, it has a variable interest that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company. <u>Variable Interest Entities (VIE) in which the entity has a controlling financial interest (as defined) and of which it is therefore the primary beneficiary. A controlling financial interest is determined based on both: (a) the entity's power to direct activities of the VIE that most significantly impact the VIE's economic performance and (b) the entity's obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. VIEs of which the entity is the primary beneficiary are included in the consolidated financial statements of the</u>	

Standard Label [†]	Definition	Codification Reference
	<u>entity.</u>	
Variable Interest Entity, Primary Beneficiary, Aggregated Disclosure [Member]	Disclosures of similar consolidated Variable Interest Entities (VIE), in aggregate, including how similar entities are aggregated, if separate reporting would not provide more useful information.	810-10-50-9
Variable Interest Entity, Sponsor that Holds Variable Interest in VIE [Member]*	Entity is a sponsor and holds a variable interest in a VIE. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	810-10-25-38 810-10-25-42 810-10-25-43 810-10-50-12 810-10-50-15
Variable Interest Entity, Nonconsolidated [Member]*	This element contains various elements which describe the characteristics of the entity's variable interest leading to its not being included in the entity's consolidated financial statements. The decision to not consolidate the Variable Interest Entity (VIE) may be based on whether the reporting entity has a controlling interest. A reporting entity is deemed to have a controlling interest in a VIE if it has both of the following	

Standard Label [†]	Definition	Codification Reference
	characteristics: (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could be potentially significant to the VIE, or include such factors as the entity having a variable interest (as defined) that, for example, does not require it to absorb a majority of the Variable Interest Entity's (VIE) expected losses, it has no rights to receive a majority of the VIE's expected residual returns, or both, such that the entity is not the primary beneficiary (as defined).	
Variable Interest Entity Not Primary Beneficiary [Member]*	VIE entities that are not consolidated into the financial statements of the registrant because it does not control the VIE through voting interests; nor is it subject to a majority of the risk of loss from the VIE's activities or entitled to receive a majority of the entity's residual returns or both. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company. The specific variable interest entities not controlled by the entity may be included as children of this element. <u>Variable Interest Entities (VIE) in which the entity</u>	<u>810-10-05-8A</u> <u>810-10-25-38</u> <u>810-10-25-38A</u>

Standard Label [†]	Definition	Codification Reference
	<u>does not have a controlling financial interest (as defined) and of which it is therefore not the primary beneficiary. VIEs of which the entity is not the primary beneficiary because it does not have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and for which it does not have the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE are not included in the consolidated financial statements of the entity.</u>	
Variable Interest Entity, Not Primary Beneficiary, Aggregated Disclosure [Member]	Aggregated disclosures of similar Variable Interest Entities (VIE) which are not included in the consolidated financial statements of the entity because the entity does not have a controlling financial interest (not the primary beneficiary). Such disclosures may include how similar entities are aggregated, if separate reporting would not provide more useful information.	810-10-15-17 810-10-50-9
Variable Interest Entity, Not Primary Beneficiary, Holds Significant Variable Interest in VIE [Member]*	Entity holds a significant variable interest in the VIE, but is not the primary beneficiary. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other	810-10-25-38 810-10-25-42 810-10-25-43 810-10-50-12 810-10-50-15

Standard Label [†]	Definition	Codification Reference
	activities on behalf of another company.	
Variable Interest Entity, Sponsor that Holds Variable Interest in VIE [Member]*	Entity is a sponsor and holds a variable interest in a VIE. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	810-10-25-38 810-10-25-42 810-10-25-43 810-10-50-12 810-10-50-15 Glossary
Variable Interest Entity (VIE) or Potential VIE, Information Unavailability [Member]*	<u>Variable Interest Entities (VIE)</u> created before December 31, 2003 that were not consolidated into the financial statements of the registrant because there is insufficient information available to (1) determine whether the entity is a VIE, (2) determine whether the registrant is the VIE's primary beneficiary, or (3) perform the accounting required to consolidate the VIE. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in	<u>810-10-15-17</u>

Standard Label [†]	Definition	Codification Reference
	research and development or other activities on behalf of another company. The specific variable interest entities not controlled by the registrant may be included as children of this element.	
Variable Interest Entity (VIE) or Potential VIE, Information Unavailability Aggregated Disclosure [Member]	Aggregated disclosures of similar Variable Interest Entities (VIE) or potential VIEs for which the entity is unable to obtain the individual VIE or potential VIE information necessary to: (1) determine whether the legal entity is a VIE, (2) determine whether it (the reporting entity) is the VIE's primary beneficiary, or (3) perform the accounting required to consolidate the VIE for which it is determined to be the primary beneficiary.	810-10-15-17 810-10-50-6
Variable Interest Entity, Initial Consolidation, Gain or Loss*	The gain or loss recognized on initial consolidation of a Variable Interest Entity (VIE) when the VIE is not a business (as defined).	<u>810-10-50-3</u>
Variable Interest Entity Carrying Amount of Assets, Consolidated VIE*	The carrying amount of the variable interest entity's liabilities consolidated into the statement of financial position. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	810-10-50-3 810-10-50-8 810-10-50-14 810-10-50-15 810-10-50-16

Standard Label [†]	Definition	Codification Reference
Variable Interest Entity, Consolidated Carrying Amount, Assets	The carrying amount of the consolidated Variable Interest Entity's assets included in the reporting entity's statement of financial position.	810-10-50-3
Variable Interest Entity Carrying Amount of Liabilities, Consolidated VIE*	The carrying amount of the variable interest entity's liabilities consolidated into the statement of financial position. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	810-10-50-14 810-10-50-15
Variable Interest Entity Consolidated Carrying Amount, Liabilities	The carrying amount of the consolidated Variable Interest Entity's liabilities included in the reporting entity's statement of financial position.	810-10-50-3

Standard Label [†]	Definition	Codification Reference
Variable Interest Entity Classification of Assets, Consolidated VIE*	Balance sheet classification of the Variable Interest Entity's (VIE) assets included in the consolidated statement of financial position, including qualitative information about the relationship(s) between those assets and associated liabilities. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	810-10-50-14 810-10-50-15 810-10-50-3 810-10-50-8
Variable Interest Entity, Classification of Carrying Amount, Assets	Balance sheet classification of the Variable Interest Entity's (VIE) assets included in the statement of financial position of the reporting entity. This element is applicable for variable interests whether the reporting entity has a controlling financial interest (primary beneficiary) or not.	810-10-50-3
Variable Interest Entity, Classification of Liabilities, Consolidated VIE	Balance sheet classification of liabilities consolidated by the registrant that are collateral for the VIE's obligations, including qualitative information about the relationship(s) between those assets and associated liabilities. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has	810-10-50-6 810-10-50-14

Standard Label [†]	Definition	Codification Reference
	equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	
Variable Interest Entity, Classification of Carrying Amount, Liabilities	Balance sheet classification of the Variable Interest Entity's (VIE) liabilities included in the statement of financial position of the reporting entity. This element is applicable for variable interests whether the reporting entity has a controlling financial interest (primary beneficiary) or not.	810-10-50-3
Variable Interest Entity Carrying Amount Assets and Liabilities, Qualitative Information	Provides qualitative information of the relationship between the Variable Interest Entity's (VIE) assets and liabilities that are included in the reporting entity's statement of financial position. For example, if the VIE's assets can be used only to settle obligations of the VIE, the qualitative information about the nature of the restrictions on those assets should be included in this item.	810-10-50-3
Variable Interest Entity, Extent of or Lack of Recourse*	The degree to which <u>creditors (or beneficial interest holders) of the Variable Interest Entity (VIE) have</u> registrant bears legal financial responsibility for the obligations of the VIE. If there is a lack of recourse, the creditors (or beneficial interest holders) of a consolidated VIE have no recourse against <u>the general credit of the</u>	810-10-50-3 810-10-50-14

Standard Label [†]	Definition	Codification Reference
	reporting entity, registrant. In such a situation, creditors may look only to the assets of the VIE to satisfy their claims, not to the registrant itself. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	
Variable Interest Entity Extent of or Lack of Recourse Flag	A statement by the reporting entity that the creditors (or beneficial interest holders) of the consolidated Variable Interest Entity (VIE) have no recourse to the general credit of the primary beneficiary.	810-10-50-3
Variable Interest Entity, Terms of Arrangements*	Describes the terms of arrangements, giving consideration to both explicit arrangements and implicit variable interests, that could require the enterprise to provide financial support (for example, liquidity arrangements and obligations to purchase assets) to the <u>Variable Interest Entity (VIE)</u> , including events or circumstances that could expose the enterprise to a loss.	810-10-50-3 810-10-50-4 810-10-50-14
Variable Interest Entity, Carrying Amount of Assets, Nonconsolidated	The carrying amount of the assets in the entity's statement of financial position that relate to the entity's variable interest in the nonconsolidated	810-10-50-3 810-10-50-15

Standard Label [†]	Definition	Codification Reference
VIE*	Variable Interest Entity (VIE). In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	
Variable Interest Entity, Nonconsolidated, Carrying Amount, Assets	The carrying amount of the assets in the reporting entity's statement of financial position that relate to the reporting entity's variable interest in the Variable Interest Entity (VIE).	810-10-50-4
Variable Interest Entity, Carrying Amount of Liabilities, Nonconsolidated VIE	The carrying amount of liabilities in the entity's statement of financial position that relate to the entity's variable interest in the nonconsolidated Variable Interest Entity (VIE). In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in	810-10-50-3 810-10-50-15

Standard Label [†]	Definition	Codification Reference
	research and development or other activities on behalf of another company.	
Variable Interest Entity, Nonconsolidated, Carrying Amount, Liabilities	The carrying amount of the liabilities in the reporting entity's statement of financial position that relate to the reporting entity's variable interest in the Variable Interest Entity (VIE).	810-10-50-4
Variable Interest Entity, Reporting Entity Involvement, Entity Maximum Loss Exposure, Amount* <i>VariableInterestEntityMaximumLossExposureAmount</i>	The reporting amount of the entity's maximum <u>amount of exposure to loss</u> as a result of its involvement with the Variable Interest Entity (VIE).	<u>810-10-50-4</u> <u>810-10-50-6</u>
Variable Interest Entity, Reporting Entity Involvement, Maximum Loss Exposure, Determination Methodology, How Maximum Exposure to Loss is Determined, Qualitative* <i>HowTheMaximumExposureToLossIsDeterminedQualitative</i>	Describes and explains the methodology (for example, procedures or techniques) for estimating, qualitatively, the methods used to determine the enterprise's the maximum exposure to loss, of the reporting entity as a result of its involvement with the Variable Interest Entity (VIE).	<u>810-10-50-4</u> 810-10-50-15

Standard Label [†]	Definition	Codification Reference
How Maximum Exposure to Loss is Determined, Quantitative*	Describes, quantitatively, the methods used to determine the enterprise's maximum exposure to loss.	810-10-50-15
<u>Variable Interest Entity, Reporting Entity Involvement, Maximum Loss Exposure, Determination Factors</u>Significant Sources of Exposure to Loss, Qualitative* <i>Significant Sources Of The Exposure To Loss Qualitative</i>	Describes and explains the significant sources of the <u>reporting entity's</u> enterprise's exposure to loss <u>as a result</u> of its involvement with the <u>Variable Interest Entity (VIE)</u> in a qualitative manner.	810-10-50-4 810-10-50-15
Significant Sources of Exposure to Loss, Quantitative*	Describes the significant sources of the enterprise's exposure to loss in a quantitative manner.	810-10-50-15

Standard Label†	Definition	Codification Reference
Variable Interest Entity Reporting Entity Involvement, Maximum Loss Exposure Nonquantifiable Flag	An affirmative statement, as represented by “yes”, that the reporting entity’s maximum exposure to loss as a result of its involvement with Variable Interest Entity (VIE) cannot be quantified.	810-10-50-4
<u>Variable Interest Entity, Reporting Entity Involvement, Exposure to Loss Cannot-Maximum Loss Exposure, be Nonquantifiable, Narrative Quantified*</u> <i>MaximumExposureTo LossCannotBeQuantified</i>	Discloses reasons why the maximum exposure to loss cannot be quantitatively determined. <u>If the reporting entity provides a narrative description of or explanation why the maximum exposure to loss as a result of its involvement with the Variable Interest Entity (VIE) cannot be quantified, this item would be used to report that information.</u>	810-10-50-4 810-10-50-15
<u>Variable Interest Entity, Nonconsolidated, Comparison of Difference (Between Carrying Amount of Assets and Liabilities to and Maximum Loss Exposure)*</u> <i>VariableInterestDifferenceBetween CarryingAmountAnd MaximumExposure</i>	Represents <u>Discloses the difference between the carrying amounts of assets and liabilities liability in the reporting entity’s financial statement of financial position that relate to the reporting entity’s variable interest in the Variable Interest Entity (VIE) and the reporting entity’s maximum exposure to loss- as a result of its involvement with the VIE.</u>	810-10-50-15 <u>810-10-50-4</u>

Standard Label[†]	Definition	Codification Reference
Variable Interest Entity, Nonconsolidated, Comparison of Carrying Amount of Assets and Liabilities to Maximum Exposure, Explanation, Qualitative Information	Qualitative information provided in explanation of the differences between the carrying amounts of assets and liabilities in the reporting entity's statement of financial position that relate to the reporting entity's variable interest in the Variable Interest Entity (VIE) and the reporting entity's maximum exposure to loss as a result of its involvement with the VIE.	810-10-50-4
Variable Interest Entity, Nonconsolidated, Comparison of Carrying Amount of Assets and Liabilities to Maximum Exposure, Explanation, Qualitative Information, Advantageous	Quantitative information provided in explanation of the differences between the carrying amounts of assets and liabilities in the reporting entity's statement of financial position that relate to the reporting entity's variable interest in the Variable Interest Entity (VIE) and the reporting entity's maximum exposure to loss as a result of its involvement with the VIE which information is favorable to the reporting entity.	810-10-50-4
Variable Interest Entity, Nonconsolidated, Comparison of Carrying Amount of Assets and Liabilities to Maximum Exposure, Explanation, Qualitative Information, Disadvantageous	Quantitative information provided in explanation of the differences between the carrying amounts of assets and liabilities in the reporting entity's statement of financial position that relate to the reporting entity's variable interest in the Variable Interest Entity (VIE) and the reporting entity's maximum exposure to loss as a result of its involvement with the VIE which information is unfavorable to the reporting entity.	810-10-50-4
Explanation of Difference, Qualitative and Quantitative[‡]	Explanation of the difference between the carrying amount of the liability and the maximum exposure to loss, both qualitatively and quantitatively.	810-10-50-15

Standard Label [†]	Definition	Codification Reference
Liquidity Arrangements, Guarantees, and Other Commitments by Entity to VIE*	This item contains a description of any liquidity arrangements, obligations to purchase assets, or other such commitments that could require the entity to provide financial support to the Variable Interest Entity (VIE), including events and circumstances that could expose the entity to a loss. Such liquidity arrangements, guarantees, or other commitments may attribute to the difference, if any, between the carrying amount in the entity's statement of financial position related to the VIE and its maximum exposure to loss	
<u>Variable Interest Entity, Liquidity Arrangements, Guarantees, and Other Commitments by Third Parties, Liquidity and Other Arrangements*</u> <i>LiquidityArrangementsGuaranteesAndOtherCommitmentsByThirdParties</i>	Describes the terms of arrangements (for example, liquidity arrangements, guarantees, or other commitments) by third parties that may affect the fair value or risk of the reporting entity's variable interest in the Variable Interest Entity (VIE). quantitatively, the methods used to determine the enterprise's maximum exposure to loss.	810-10-50-4 810-10-50-15
<u>Variable Interest by Interest Type [Axis]*</u>	Variable interests in a Variable Interest Entity (VIE) categorized by (1) variable interest in a VIE held by a sponsor and (2) significant variable interest in a VIE held by an enterprise.	810-10-50-15

Standard Label [†]	Definition	Codification Reference
Variable Interest Type [Domain]*	Variable interests in a VIE. Contractual, ownership, or other pecuniary interests in an entity that change with changes in the fair value of the entity's net assets exclusive of variable interests. Equity interests with or without voting rights are considered variable interests if the entity is a variable interest entity and to the extent that the investment is at risk. VIEs are designed so that some of the entity's assets, liabilities, and other contracts create variability and some of the entity's assets, liabilities, and other contracts (as well as its equity at risk) absorb or receive that variability.	810-10-50-15
Variable Interest, Held by Sponsor [Member]	A variable interest in a VIE held by a sponsor.	810-10-50-15
Variable Interest Held by Entity [Member]	A significant variable interest in a VIE held by an enterprise.	810-10-50-15
Variable Interest Entity, Methodology for Determining Whether Entity is	Describes the methodology used for determining whether the enterprise is (or is not) the primary beneficiary of a VIE, including, but not limited to, significant judgment and assumptions	<u>810-10-50-2AA</u> <u>810-10-50-4</u> <u>810-10-50-5A</u> 810-10-50-12

Standard Label [†]	Definition	Codification Reference
Primary Beneficiary*	made. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company. Describes the significant judgments and assumptions made by a reporting entity in determining whether it must: (1) consolidate a Variable Interest Entity (VIE) or (2) disclose information about its involvement in a VIE, and may include discussion of the significant factors considered and judgments made in determining that the power to direct the activities of a VIE that most significantly impact the VIE's economic performance is shared among multiple parties such that no one party is the primary beneficiary (as defined) or information about the types of involvements the reporting entity considers significant, supplemented with information about how the significant involvements were considered in determining whether the reporting entity is the primary beneficiary.	

Standard Label [†]	Definition	Codification Reference
Variable Interest Entity, Conclusion to Consolidate, Changes in Facts and Circumstances, Description <i>Variable Interest Entity Conclusion to Consolidate</i>	Describes the primary factors that caused the change in conclusion to consolidate a <u>Variable Interest Entity (VIE)</u> in the most recent financial statements (for example, the VIE was <u>previously consolidated and is not currently consolidated</u>) and the effect of the change on the <u>reporting entity's</u> enterprise's financial statements. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	810-10-50-5A 810-10-50-12
Variable Interest Entity, Financial or Other Support*	Describes whether the <u>reporting entity</u> enterprise has provided financial or other support (explicitly or implicitly) to the <u>Variable Interest Entity</u> during the periods presented to the (VIE) that it was not previously contractually required to provide or <u>whether reporting entity intends to provide that support</u>, including for example, (1) the type and amount of support, including situations in which the reporting entity where the enterprise assisted the VIE in obtaining another type of support, and (2) the primary reasons for providing the support. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have	810-10-50-5A 810-10-50-12

Standard Label [†]	Definition	Codification Reference
	equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	
Variable Interest Entity, Financial or Other Support, Amount*	This item represents the amount of financial or other support provided by the reporting entity has provided <u>(explicitly or implicitly)</u> to the Variable Interest Entity (VIE) during the period which support the entity that it was not previously contractually required to provide <u>or that the reporting entity intends to provide, including,</u> Included in this item would be for example, situations in which where the reporting entity assisted the VIE in obtaining another type of support.	<u>810-10-50-5A</u>
Variable Interest Entity, Financial or Other Support, Reasons*	This item represents a description of the primary reasons why the reporting entity has provided <u>(explicitly or implicitly)</u> financial or other support to the Variable Interest Entity (VIE) that it during the period which support the entity was not previously contractually required to provide <u>or that the reporting entity intends to provide, including, for example,</u> Included in this item would be descriptions of situations in which where the reporting entity assisted the VIE in obtaining another type of support (for example, previously not required debt guarantee).	<u>810-10-50-5A</u>

Standard Label [†]	Definition	Codification Reference
Variable Interest Entity, Financial or Other Support, Type*	This item represents a description of the type of financial or other support <u>(for example, debt guarantee, refinancing, guarantee of purchase commitments)</u> provided by the reporting entity to the Variable Interest Entity (VIE) during the period which support the reporting entity was not previously contractually required to provide or that it intends to provide. Included in this item would be descriptions of situations where the entity assisted the VIE in obtaining another type of support (for example, previously not required debt guarantee).	<u>810-10-50-5A</u>
Variable Interest Entity, Qualitative or Quantitative Information*	Describes disclosure of qualitative and quantitative information about the <u>reporting entity's</u> enterprise's involvement (giving consideration to both explicit arrangements and implicit variable interests) with the <u>Variable Interest Entity (VIE)</u> , including, but not limited to, the nature, purpose, size, and activities of the VIE, including how the entity is financed. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	<u>810-10-50-5A</u> <u>810-10-50-42</u>

Standard Label [†]	Definition	Codification Reference
<u>Variable Interest, Qualitative or Quantitative Information, Nature of VIE Description of Entity*</u> <i>Variable Interest Entity Description Of Entity</i>	Description of the variable interest entity's nature. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	810-10-50-5A 810-10-50-6 810-10-50-15
<u>Variable Interest Entity Classification, Description*</u>	Overall VIE disclosures according to the following classifications: (1) VIEs consolidated because the registrant is the primary beneficiary, (2) VIEs not consolidated because the registrant is not the primary beneficiary, and (3) VIEs or potential VIEs that are not consolidated because necessary information is not available. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	810-10-50-3 810-10-50-4 810-10-50-6

Standard Label [†]	Definition	Codification Reference
<u>Variable Interest Entity, Qualitative or Quantitative Information, Type of Entity</u> <i>VariableInterestEntityTypeOfEntity</i>	Structure or legal form of Variable Interest Entity (VIE). In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	<u>810-10-50-5A</u>
<u>Variable Interest Entity, Qualitative or Quantitative Information, Ownership Percentage</u> <i>Ownership Percentage VariableInterestEntityOwnershipPercentage</i>	Percentage of the Variable Interest Entity's (VIE's) voting interest owned by (or beneficial interest in) the reporting entity (directly or indirectly) registrant. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	<u>810-10-50-5A</u>

Standard Label [†]	Definition	Codification Reference
Variable Interest Entity (VIE), Qualitative or Quantitative Information, Purpose of VIE* <i>VariableInterestEntityVIE PurposeOfVIE</i>	The overall reason that the variable interest entity (VIE) was formed. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. For example, the A VIE was formed to often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	810-10-50-3 810-10-50-4 810-10-50-5A 810-10-50-6 810-10-50-8 810-10-50-12 810-10-50-16
Variable Interest Entity Qualitative or Quantitative Information, (VIE), Size of VIE* <i>VariableInterestEntityVIESizeOfVIE</i>	Size of the variable interest entity, such as small, medium, or large in relation to certain benchmarks, or a stated measure such as number of employees, assets, net assets, revenues, or expenses. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	810-10-50-3 810-10-50-4 810-10-50-5A 810-10-50-6 810-10-50-8 810-10-50-12 810-10-50-16
Variable Interest Entity (VIE), Qualitative or Quantitative	Description of the transactions or business conducted by the Variable Interest Entity (VIE), including how the VIE is financed. In general, a VIE is a	810-10-50-3 810-10-50-4 810-10-50-5A 810-10-50-6

Standard Label [†]	Definition	Codification Reference
Information, Activities of VIE* <i>VariableInterestEntityVIE</i> <i>ActivitiesOfVIE</i>	corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	810-10-50-8 810-10-50-12 810-10-50-16
Variable Interest Entity, Qualitative or Quantitative Information, Nature and Extent of Involvement* <i>VariableInterestEntityNatureOfInvolvement</i>	The relationship and business conducted between the reporting entity registrant and the <u>Variable Interest Entity (VIE)</u> . In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	810-10-50-4 810-10-50-5A 810-10-50-6 810-10-50-8 810-10-50-9 810-10-50-12 810-10-50-16
Variable Interest Entity, when Entity Involvement Began*	Discloses when the relationship between the registrant and the VIE began. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including	810-10-50-4

Standard Label [†]	Definition	Codification Reference
	loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	
Variable Interest Entity, Qualitative or Qualitative Information, Date Involvement Began	Discloses the date when the relationship between the reporting entity and the Variable Interest Entity (VIE) began.	810-10-50-5A 810-10-50-6
Variable Interest Entity, Unavailability of Information, Number of Entities with Unavailability of Information* <i>VariableInterestEntityNumberOfEntitiesWithUnavailabilityOfInformation</i>	Number of <u>Variable Interest Entities (VIE) entities or potential VIEs</u> for which the necessary enterprise is unable to obtain the information is unable necessary to be obtained to (1) determine whether the entity is a VIE, (2) determine whether it (the reporting entity the registrant is the VIE's primary beneficiary, or (3) perform the accounting required to consolidate the VIE for which it has been determined to be the primary beneficiary. Also, the reason why the information is not available.	810-10-50-6 810-10-50-16

Standard Label [†]	Definition	Codification Reference
Variable Interest Entity, Unavailability of Information, Reasons for Unavailability of Information* <i>VariableInterestEntityReasonForUnavailabilityOfInformation</i>	Reasons why the reporting entity registrant, after making an exhaustive effort, is unable to obtain the information necessary to (1) determine whether the entity is a VIE, (2) determine whether it (the reporting entity) the registrant is the VIE's primary beneficiary, or (3) perform the accounting required to consolidate the VIE for which it has been determined that it (the reporting entity) is to be the primary beneficiary. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	810-10-50-6
Variable Interest Entity, Measure of Activity Between VIE and Entity, Revenues <i>VariableInterestEntityActivityBetweenVIEAndEntityRevenues</i>	Revenues, net of returns and allowances, derived by the reporting entity during the period from sales and other transactions (excluding transactions that are eliminated in consolidated or combined financial statements) to and with the Variable Interest Entity (VIE) or potential VIE in which it holds its variable interest.	810-10-50-6
Variable Interest Entity, Measure of Activity Between VIE and Entity, Purchases <i>VariableInterestEntity</i>	The amount of purchases by the entity during the period from the Variable Interest Entity (VIE) or potential VIE in which it holds its variable interest.	810-10-50-6

Standard Label [†]	Definition	Codification Reference
<i>yActivityBetweenVIEAndEntityPurchases</i>		
Variable Interest Entity, Measure of Activity-Between VIE and Entity, Expense <i>VariableInterestEntityActivityBetweenVIEAndEntityExpense</i>	The amount of expense incurred by the <u>reporting entity</u> during the period related to transactions (excluding transactions that are eliminated in consolidated or combined financial statements) with the Variable Interest Entity (<u>VIE</u>) or <u>potential VIE</u> in which it holds its variable interest.	<u>810-10-50-6</u>
Variable Interest Entity, Measure of Activity-Between VIE and Entity, Operating Income or Loss* <i>VariableInterestEntityActivityBetweenVIEAndEntityOperatingIncomeOrLoss</i>	The amount of income or loss from operations derived during the period by the <u>reporting entity</u> from the Variable Interest Entity (<u>VIE</u>) or <u>potential VIE</u> in which it holds its variable interest.	<u>810-10-50-6</u>
Variable Interest Entity, Measure of Activity-Between VIE and Entity, Income or Loss before Tax* <i>VariableInterestEntityActivityBetweenVIEAndEntityIncomeOrLossBeforeTax</i>	The amount of pre-tax income or loss derived <u>by the reporting entity</u> during the period by the entity from the Variable Interest Entity (<u>VIE</u>) or <u>potential VIE</u> in which it holds its variable interest.	<u>810-10-50-6</u>
Variable Interest Entity, Measure of Activity-Between VIE and Entity,	The amount of activity, consisting of transactions or a measure not described elsewhere in the taxonomy, occurring during the period between the	<u>810-10-50-6</u>

Standard Label [†]	Definition	Codification Reference
Other, Measure of Activity, Amount* <i>VariableInterestEntityActivityBetweenVIEAndEntityOtherMeasureOfActivityAmount</i>	reporting entity and the Variable Interest Entity (VIE) or potential VIE in which it holds its variable interest.	
Variable Interest Entity, Measure of Activity-Between VIE and Entity, Other, Description <i>VariableInterestEntityActivityBetweenVIEAndEntityOtherMeasureOfActivityDescription</i>	Description of the activity, consisting of transactions or a measure not described elsewhere in the taxonomy, occurring during the period between the reporting entity and the Variable Interest Entity (VIE) or potential VIE in which it holds its variable interest. <u>Such description sufficient enough to</u> provides an understanding of the nature of the other measure of activity being disclosed.	<u>810-10-50-6</u>
Variable Interest Entity, Activity Between VIE and Entity	Amount of income, expense, purchases, sales, or other measure of activity between the registrant and the VIE or potential VIE for all periods presented. If it is not practicable to present that information for prior periods that are presented in the first set of financial statements for which this requirement applies, the information for those prior periods is not required. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other	810-10-50-6 810-10-50-16

Standard Label [†]	Definition	Codification Reference
	activities on behalf of another company.	
Variable-Interest Entity, Entity Maximum Loss Exposure*	Enterprise's maximum exposure to loss as a result of its involvement with the VIE, including how the maximum exposure is determined, the significant sources of the enterprise's exposure to the VIE, and the differences between the maximum exposure to loss and the liability recognized in its financial statements. It may also include factors such as the fair market value at which the registrant is carrying an asset and registrant guarantees. Also, whether the enterprise's maximum exposure to loss as a result of its involvement with the VIE cannot be quantified. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property. A VIE may be essentially passive or it may engage in research and development or other activities on behalf of another company.	810-10-50-4 810-10-50-6 810-10-50-8 810-10-50-11 810-10-50-15 810-10-50-16
Variable-Interest Entity, Commitments by Third Parties	Describes disclosure of information about any liquidity arrangements, guarantees and other commitments by third parties that may affect the fair value or risk of the enterprise's variable interest in the VIE.	810-10-50-3 810-10-50-15

Standard Label [†]	Definition	Codification Reference
Variable Interest, Carrying Amount, Assets*	Quantifies the net carrying amount of the entity's assets.	810-10-50-15
Variable Interest, Carrying Amount, Liabilities*	Quantifies the net carrying amount of the entity's liabilities.	810-10-50-15
Variable Interest, Carrying Amount*	Quantifies the net carrying amount.	810-10-50-15
Schedule of Qualified Special Purpose Entities [Text Block]*	Disclosure of Qualifying Special Purpose Entities (qualifying SPE), including, but not limited to the nature, purpose, size, and activities of the qualifying SPE, including how the entity is financed, the carrying amount and classification of the assets and liabilities recognized in the statement of financial position related to the enterprise's involvement with the qualifying SPE, terms of the arrangements that could	810-10-50-19

Standard Label [†]	Definition	Codification Reference
	require the enterprise to provide financial support to the qualifying SPE, include events or circumstances that could expose the enterprise to loss, the enterprise's maximum exposure to loss as a result of its involvement with the qualifying SPE (including how the maximum exposure is determined and the significant sources of the enterprise's exposure to the qualifying SPE) and if the enterprise's maximum exposure to loss as a result of its involvement with the qualifying SPE cannot be quantified, that fact should be disclosed. In addition, whether the enterprise has provided financial or other support during the periods presented to the qualifying SPE that it was not previously contractually required to provide, including: the type and amount of support (including situations where the enterprise assisted the qualifying SPE in obtaining another type of support and the primary reasons for providing the support).	
Schedule of Qualified Special Purpose Entities [Table]*	Detailed item-by-item disclosures of qualifying SPEs and related information according to the following classifications: qualifying SPEs with nontransferor sponsor with variable interest and nontransferor servicer with significant variable interest.	810-10-50-19

Standard Label [†]	Definition	Codification Reference
Qualifying Special Purpose Entity by Classification [Axis]*	Qualifying SPEs categorized by qualifying SPEs with nontransferor sponsor with variable interest and nontransferor servicer with significant variable interest.	810-10-50-19
Qualifying Special Purpose Entity Classification [Domain]*	The status of the qualifying SPEs with respect to the consolidated financial statements.	810-10-50-19
Nontransferor Sponsor with Variable Interest [Member]*	Describes disclosures for a sponsor that holds a variable interest (variable interest as defined in Interpretation 46R) in a QSPE but was not the transferor (nontransferor enterprise) of financial assets to the QSPE.	810-10-50-17
Nontransferor Servicer with Significant Variable Interest [Member]*	Describes disclosures for a servicer of a QSPE that holds a significant variable interest (as defined in Interpretation 46R) in the QSPE but was not the transferor (nontransferor) of financial assets to the QSPE.	810-10-50-17

Standard Label [†]	Definition	Codification Reference
Qualifying Special Purpose Entity [Line Items]*	Line items represent financial concepts included in a table. These concepts are used to disclose reportable information associated with domain members defined in one or many axes to the table.	
Qualifying Special Purpose Entity, Nature and Extent of Involvement*	The relationship and business conducted between the registrant and the qualifying SPE, including a discussion of how the SPE is financed.	810-10-50-19
Qualifying Special Purpose Entity, Purpose of QSPE*	The overall reason that the qualifying special purpose entity was formed.	810-10-50-19
Qualifying Special Purpose Entity, Size of QSPE*	Size of the qualifying special purpose entity, such as small, medium, or large in relation to certain benchmarks, or a stated measure such as number of employees, assets, net assets, revenues, or expenses.	810-10-50-19

Standard Label [†]	Definition	Codification Reference
Qualifying Special Purpose Entity, Activities of QSPE*	Description of the transactions or business conducted by the VIE.	810-10-50-19
Qualifying Special Purpose Entity, Carrying Amount of Collateralized Assets*	Describes disclosure of the carrying amount of the assets and liabilities recognized in the statement of financial position related to the enterprise's involvement with the qualifying SPE.	810-10-50-19
Qualifying Special Purpose Entity, Classification of Collateralized Assets*	Describes disclosure of the classification of the assets and liabilities recognized in the statement of financial position related to the enterprise's involvement with the qualifying SPE.	810-10-50-19
Qualifying Special Purpose Entity, Terms of Arrangements*	Describes the terms of arrangements, giving consideration to both explicit arrangements and implicit variable interests, that could require the enterprise to provide financial support (for example, liquidity arrangements and obligations to purchase assets) to the qualifying SPE, including events or circumstances that could expose the enterprise to a loss. All available evidence considered, including, but not	810-10-50-19

Standard Label [†]	Definition	Codification Reference
	limited to, explicit written arrangements, communications between the sponsor or servicer and the qualifying SPE or its beneficial interest holders, and unwritten arrangements that are customary in similar relationships between the sponsor or servicer and the qualifying SPE or its beneficial interest holders.	
Qualifying Special Purpose Entity, Entity Maximum Loss Exposure	Describes the enterprise's maximum exposure to loss as a result of its involvement with the qualifying SPE, including how the maximum exposure is determined and the significant sources of the enterprise's exposure to the qualifying SPE. Also, the disclosure of the inability to quantify the enterprise's maximum exposure to loss as a result of its involvement with the qualifying SPE.	810-10-50-19
Qualifying Special Purpose Entity, Maximum Loss Exposure, Amount*	The amount of the entity's maximum exposure to loss as a result of its involvement with the Qualifying Special Purpose Entity.	

Standard Label†	Definition	Codification Reference
Qualifying Special Purpose Entity, Financial or Other Support	Describes whether the enterprise has provided financial or other support during the periods presented to the qualifying SPE that it was not previously contractually required to provide, including (1) the type and amount of support, including situations where the enterprise assisted the VIE in obtaining another type of support, and (2) the primary reasons for providing the support.	810-10-50-19
Qualifying Special Purpose Entity, Financial or Other Support, Amount	This item represents the amount of financial or other support provided by the entity to the Qualifying Special Purpose Entity (QSPE) during the period which support the entity was not previously contractually required to provide. Included in this item would be situations where the entity assisted the QSPE in obtaining another type of support.	
Consolidation, Qualifying Special Purpose Entity, Policy	Describes an entity's accounting policy regarding how qualifying special purpose entities are treated for consolidation purposes. A qualifying SPE is an SPE whose principal purpose is passive holding of financial assets on behalf of beneficial interest holders in those assets, and that meets the strict conditions specified by GAAP; ordinarily QSPEs are not VIEs.	235-10-50-3 810-10-15-12

Standard Label [†]	Definition	Codification Reference
Variable Interest Entity Identification as Special Purpose Entity or QSPE	Identification of VIE as a special purpose entity (SPE) or qualifying special purpose entity (QSPE) according to GAAP. A SPE is an entity created by the registrant such that the entity's sole purpose is to perform only a specific activity—typically, to isolate the registrant from financial risks such as losses or bankruptcy. Regardless of legal form (for example, corporation, partnership, LLC, LLP, or trust), a SPE is typically thinly capitalized, has no management or employees independent of the registrant, and its administrative functions are often performed by a service provider or trustee. A QSPE is an SPE whose principal purpose is passive holding of financial assets on behalf of beneficial interest holders in those assets, and that meets the strict conditions specified by GAAP; ordinarily QSPEs are not VIEs.	810-40-45-1