November 5, 2014

Mr. Russell Golden, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
(Sent via e-mail to director@fasb.org)

Mr. Hans Hoogervorst, Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom
(Sent via e-mail to info@ifrs.org)

Re: Lease Project Deliberations
(File Reference No. 2013-270, Proposed Accounting Standards Update (Revised), "*Leases")*

Dear Mr. Golden and Mr. Hoogervorst:
The International Business Machines Corporation ("IBM" or "the company") has been following the joint leasing project, exposure drafts and 2014 deliberations. IBM commented on the Proposed Accounting Standards Update (Revised), "*Leases"* (the "proposed ASU" or "exposure draft"), issued by the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") in May 2013.

We appreciate the staff's analysis of the concerns raised in the 641 comment letters received on the exposure draft and the FASB and IASB's ("the Boards") consideration of the analysis. We commend the Boards on the decision to use the concepts underlying existing U.S. GAAP and IFRS lessor accounting. We agree this is well understood and effectively converged. However, we are concerned that during deliberations in 2014, the Boards have diverged from the jointly issued exposure draft, especially in the area of lessee accounting, jeopardizing the issuance of a joint standard.

The implementation of a lessee accounting system to record all leases on the balance sheet will be costly and complex. A diverged model for income statement attribution introduces significant reconciliations for large, global corporations with operations in many countries, creating additional complexities and costs to maintain compliance with the requirements under both statutory and U.S. GAAP filings. For example, a real estate lease which is classified as a Type B lease (operating lease) will be recorded to the income statement under U.S. GAAP on a straight line basis, and under IFRS on an interest and amortization approach. Building a dual system to support U.S. GAAP and statutory accounting for leases will create a significant financial and technological burden for most multinational companies.

We urge the Boards to reconsider convergence in the area of lessee accounting. Due to the high volume of transactions which will be subject to this guidance, the compliance costs to develop new processes, provide education and implement controls will increase significantly if ongoing statutory and U.S. GAAP reconciliations are required. IBM would prefer the FASB's dual model for income statement attribution since this approach would effectively minimize the impacts of the new standard to the balance sheet.

Thank you for your consideration regarding this important issue. If you have any questions, please contact me at (914) 766-2008.

Sincerely,

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