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Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Submitted via electronic mail to rule-comments@sec.gov

Subject: File Number S7-20-15

Dear Secretary:

Thank you for the opportunity to comment on the Request for Comment on the Effectiveness of Financial Disclosures about Entities Other Than the Registrant (the Request). On behalf of General Motors Company (GM), we strongly support the overall initiative by the Division of Corporate Finance to review the disclosure requirements applicable to public companies to consider ways to improve the requirements for the benefit of investors and public companies.

We strongly encourage the SEC staff to carefully consider *Rule 3-09 of Regulation S-X – Separate Financial Statements of Subsidiaries not Consolidated and 50 Percent or Less Owned Persons and Related Requirements* and *Rule 3-10 of Regulation S-X – Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered* while considering the related costs when determining how to simplify the preparer process of providing disclosures while continuing to meet the information needs of financial statement users. Our responses to the Request have focused on those questions that directly impact GM and/or our wholly-owned subsidiary General Motors Financial Company.

**Rule 3-09 of Regulation S-X – Separate Financial Statements of Subsidiaries not Consolidated and 50 Percent or Less Owned Persons and Related Requirements**

We believe the appropriate level of information of a 50 percent or less owned entity (Investee) can be provided to investors within the footnotes to the registrant's financial statements as opposed to providing separate stand-alone financial statements buried in an exhibit to the Form 10-K. We believe the Summarized Financial Information of an Investee required by Rule 4-08(g) of Regulation S-X (Summarized Financial Information) oftentimes provides adequate decision-useful information about an Investee to preclude the requirement for separate audited or unaudited annual financial statements of the Investee (Rule 3-09 Financial Statements), particularly when the Investee is not meaningfully more material than today's quantitative triggers. Recognizing that the Summarized Financial Information is less in scope than Rule 3-09 Financial Statements and the information can be aggregated with other Investees, we are supportive of the expansion of the current required level of information within the

footnotes when an Investee is clearly material and expected to remain material to a registrant. In such circumstances, consideration should be given to requiring the financial information to be presented on a disaggregated basis; providing condensed Investee cash flow statement information; providing information, if different from the registrant's, relating to the Investee's significant accounting policies, etc. This information could be supplemented in Management's Discussion and Analysis of Financial Condition and Results of Operations, wherein investors could be provided analysis of the business (key variables, metrics and material events, etc.) of significant Investees, as we have done in our filings with respect to our significant Investees in China. We believe the provision of easily understood condensed financial information would be more beneficial than a complete set of stand-alone financial statements.

We also recommend the SEC staff adopt a judgment-based approach to determine the significance of an Investee when considering whether a registrant is required to provide either expanded Summarized Financial Information or Rule 3-09 Financial Statements. In certain cases, an Investee may exceed the income thresholds due to the registrant experiencing financial results not in line with its trend in earnings (e.g., a single period of significant underperformance or unusual infrequent charges, etc.); yet the Investee may not be significant to the registrant when viewed on a longer-term or more holistic basis. As such, we believe the requirements should provide flexibility to consider both quantitative and qualitative factors when determining the significance of an Investee, and not the application of bright-line tests.

Additionally, if the SEC staff determines that Rule 3-09 Financial Statements are useful to investors, we recommend allowing a registrant to file the Rule 3-09 Financial Statements on a Form 8-K instead of an amendment to the Form 10-K, with the requisite disclosure in the Form 10-K that the required information will be filed later on a Form 8-K. In particular, it can be challenging to obtain information, especially a full set of separate audited financial statements, for certain Investees based outside the U.S. Often, on a stand-alone basis, the Investee's financial statements must be audited at a materiality level that is much lower than the registrant's financial statement materiality, which contributes to this challenge. Currently, the regulations allow the Rule 3-09 Financial Statements to be filed later; however, the later filing is accomplished on a Form 10-K/A. Understanding that this does not impact the timing of the filing, we believe a Form 8-K serves the same purpose as filing a Form 10-K/A and simplifies the process of filing Rule 3-09 Financial Statements.

#### **Rule 3-10 of Regulation S-X – Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered**

We believe information regarding a guarantor's ability to repay its guaranteed obligations is useful disclosure for investors. However, the current disclosure requirements for condensed consolidating financial information (Consolidating Information) is not an effective method of presenting this information. We believe the following disclosures, in lieu of Consolidating Information, would be more helpful to investors:

- A narrative explaining the registrant's transactions amongst its various entities;
- Streamlined guarantor information providing summarized financial information, such as total assets, total liabilities, net income and summarized condensed cash flow information; and
- Narrative disclosure around the guarantor's plans for having sufficient liquidity to satisfy its guarantee.

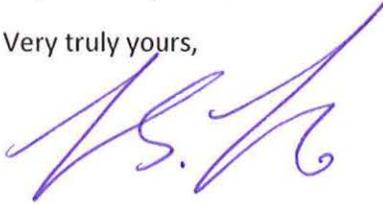
There are many challenges when preparing the Consolidating Information, in particular the consolidating statement of cash flows. Our underlying books and records are not based on a guarantor/non-guarantor structure, and due to a centralized cash management function numerous intercompany transactions exist. These factors complicate the preparation of Consolidating Information prepared "as if" the registrant was a stand-alone entity. These intercompany transactions require extensive analysis and manual reclassification adjustments to permit the preparation of the Consolidating Information, resulting in excessive complexity and effort relative to the limited benefits of providing this information to investors.

**Other Responses**

We have specific detailed comments related to Questions 20 through 39 of the Request, and have attached those comments in Exhibit A to this letter.

Again, we appreciate the opportunity to provide our comments and hope that our input will be helpful. We are happy to discuss any questions or comments the SEC staff may have on our recommendations or any other topic related to disclosure effectiveness.

Very truly yours,



Thomas S. Timko  
Vice President, Controller and Chief Accounting Officer

## Answers to Questions for Respondents

### Rule 3-09 of Regulation S-X – Separate Financial Statements of Subsidiaries not Consolidated and 50 Percent or Less Owned Persons and Related Requirements

*Question #20 Are there challenges that registrants face in preparing and providing the required disclosures? If so, what are the challenges? Are there changes to these requirements we should consider to address those challenges? If so, what changes and how would those changes affect investors' ability to make informed decisions?*

**GM Response:** In certain cases, it can be challenging to obtain Rule 3-09 Financial Statements for an Investee, especially when that Investee is based outside the U.S. The registrant does not control the Investee and often must manage its relationship with the interests, expectations and perspectives of its co-investors. For example, the information contained in Rule 3-09 Financial Statements that we included as an exhibit to our 2014 Form 10-K had not been previously disclosed publicly. Our co-investor had reservations about disclosing such information for competitive reasons, especially when compared to companies that are not SEC registrants that would not be governed by the Rule 3-09 requirements. In addition, filing the Rule 3-09 Financial Statements with the SEC-triggered filing requirements for our Investee with the China equivalent of the SEC; and management is concerned about setting precedence for filing requirements in the future. Furthermore, timing can be a challenge, which is driven by the level of materiality with which an Investee's financial statements need to be audited. On a stand-alone basis, an Investee's financial statements must be audited at a materiality level that is typically much lower than a registrant's consolidated financial statement materiality. We believe requiring aggregated information disclosed as part of the requirements for Summarized Financial Information addresses many of these challenges while still providing decision-useful information to investors.

Though the guidance under Rule 3-09(b)(1) affords an ability to file the Rule 3-09 Financial Statements after a registrant files its Form 10-K (within 90 days or six months depending on circumstances), current guidance requires the subsequent filing to be in the form of a Form 10-K/A. If the SEC staff determines that the Investee's financial statements are useful to investors, we recommend allowing a registrant to file the Rule 3-09 Financial Statements in a Form 8-K instead of an amendment to the Form 10-K. Understanding that this does not impact the timing of the filing, we believe a Form 8-K serves the same purpose as filing a Form 10-K/A and simplifies the process of filing Rule 3-09 Financial Statements.

*Question #22 How could we improve the usefulness of the Summarized Financial Information? Could we do so by adding a requirement to present separately each significant Investee and/or reconcile the disclosures to the amounts recognized in a registrant's financial statements? Are there disclosures we should consider adding that are currently found only in Rule 3-09 Financial Statements?*

**GM Response:** We believe the requirements under Rule 4-08(g) are generally appropriate in their current form. We disclose aggregated Summarized Financial Information for all of our Investees for which we apply the equity method of accounting, split between China entities and other entities. Providing a reconciliation of the Summarized Financial Information to the amounts recognized in our financial statements would not, in our view, provide a significant benefit to investors as we have many Investees with varying ownership percentages, most of which are not significant and which, if disclosed individually, would not provide more useful information to investors. However, we aggregate all of our China Investees, not just the ones of significance, because we believe our investors are interested in our total China portfolio, not just the one or two entities that may individually meet the significance tests, and we believe this level of aggregation is more useful to investors than individual disclosure.

As previously noted, recognizing that the Summarized Financial Information is less in scope than Rule 3-09 Financial Statements, we are supportive of the expansion of the current required level of information when an Investee is clearly material and expected to remain material to a registrant. In such circumstances, consideration should be given to requiring the financial information to be presented on a disaggregated basis; providing condensed Investee cash flow statement information; providing information, if different from the registrant's, relating to the Investee's significant accounting policies, etc. This information could be supplemented in Management's Discussion and Analysis of Financial Condition and Results of Operations, wherein investors could be provided analysis of the business (key variables, metrics and material events, etc.) of significant Investees, as we have done in our filings with respect to our significant Investees in China.

**Question #23** *If we make changes to improve the usefulness of Summarized Financial Information, would it be appropriate to modify the requirement to provide Rule 3-09 Financial Statements? If so, how? If not, why?*

**GM Response:** We believe the SEC staff should consider expanding the disclosure requirements under Rule 4-08(g) and eliminating the requirement for Rule 3-09 Financial Statements based on our responses to Questions #20 and #22 of the Request.

**Question #24** *Are unaudited Rule 3-09 Financial Statements and Summarized Financial Information for fiscal years during which an Investee was not significant useful to investors? Why or why not?*

**GM Response:** We believe the unaudited Rule 3-09 Financial Statements and Summarized Financial Information for fiscal years during which an Investee is not significant does not provide investors more meaningful information when considering the ongoing costs associated with providing such information. Eliminating the audit requirement does not eliminate all the costs, both internal and external, associated with the timely preparation of stand-alone financial statements that comply with generally accepted accounting principles in the United States of America. Rather, Summarized Financial Information can more easily provide such information. Furthermore, if an Investee is deemed to not be material in a given year or expected to be material on a go-forward basis, the level of information needed by an investor is naturally less, thereby requiring the updating of previously provided information unnecessary.

**Question #25** *Are significance tests the appropriate means to determine the nature, timing, and extent of disclosure under Rule 3-09 and the related requirements?*

*Question #26 Are there changes or alternatives to the tests that we should consider to further facilitate the disclosure of useful information to investors? If so, what changes and are there challenges that registrants would face as a result?*

*Question #27 Are there changes to the tests that we should consider to address challenges that registrants face in preparing and providing the required disclosures? If so, what changes and how would those changes affect investors' ability to make informed decisions?*

*Question #28 Should we allow more judgment to be applied by registrants in determining significance? Why or why not? What concerns might arise from allowing registrants to apply more judgment and, if allowed, should registrants disclose the rationale for the judgments?*

*Question #29 Should we revise the current percentage thresholds and/or the financial measures used to determine significance? For example, should we consider limiting the use of the income test or devise new tests?*

**GM Response to Questions 25, 26, 27, 28 & 29:** We recommend the SEC staff adopt a judgment-based approach to determine the significance of an Investee. In certain cases, an Investee may exceed the income test thresholds due to the registrant experiencing financial results not in line with its trend in earnings (e.g., a single period of significant underperformance or unusual infrequent charges, etc.); yet the Investee may not be significant when viewed on a longer-term or more holistic basis. As such, we believe the requirements should provide flexibility to consider both quantitative and qualitative factors when determining the significance of an Investee, and not the application of bright-line tests. However, this flexibility should be influenced by significance tests, resulting in a presumption to disclose information regarding Investees that meet the requirements of the significance tests and possibly requiring disclosure of the rationale for non-disclosure if management determines expanded disclosure is unnecessary.

*Question #30 Should we consider revising the requirements to provide interim disclosures about Investees to focus on significant changes similar to Rule 10-01(a)(5) of Regulation S-X, which allows registrants to apply judgment and omit details of accounts that have not changed significantly in amount or composition since the end of the most recently completed fiscal year? Why or why not?*

**GM Response:** We believe the interim disclosure requirements under Rule 3-09 should be revised to be consistent with the broader interim guidance under Rule 10-01(a)(5): if there have not been significant changes in an Investee since the prior year end, Summarized Financial Information would not be required on an interim basis even if the 20% threshold is met.

### **Rule 3-10 of Regulation S-X – Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered**

*Question #33 How do investors use the information provided in financial statements of subsidiary issuers/guarantors and the information provided in the Alternative Disclosure? Are there challenges that investors face in using the disclosure?*

**GM Response:** We have never received feedback or questions regarding the disclosures, which indicates a demand for such disclosures in its current format may not exist. However, we do believe information regarding net assets and/or liquidity available to satisfy the guarantee is helpful to investors. The

presentation of Consolidating Information without a narrative to explain a company's transactions (particularly intercompany transactions) does not offer clear visibility into the transactions between the various entities. We believe the disclosure of more summarized financial information, along with a narrative describing the company's transactions amongst entities would provide sufficient information for investors, and that the requirement for Consolidating Information can be eliminated.

***Question #34** Are there changes to these requirements we should consider to further facilitate the disclosure of useful information to investors? For example, is there different or additional information that investors need about guarantors and issuers of guaranteed securities? If so, what information is needed and are there challenges that registrants would face in preparing and providing it?*

**GM Response:** In lieu of Consolidating Information, we believe information regarding the guarantor's ability to repay its guaranteed obligations as well as the following disclosures would be helpful to investors:

- A narrative explaining the registrant's transactions amongst its various entities;
- Streamlined guarantor information providing summarized financial information, such as total assets, total liabilities, net income and summarized condensed cash flow information; and
- Narrative disclosure around the guarantor's plans for having sufficient liquidity to satisfy its guarantee.

***Question #35** Are there challenges that registrants face in preparing and providing the required disclosures? If so, what are the challenges? Are there changes to these requirements we should consider to address those challenges? If so, what changes and how would those changes affect investors' ability to make informed decisions?*

**GM Response:** There are many challenges when preparing the required disclosures. The preparation of Consolidating Information is very complex, primarily because, except for this disclosure, our books and records are not prepared utilizing the guarantor/non-guarantor structure. This is especially true for the preparation of the cash flow information. Due to a centralized cash management function, there are numerous intercompany transactions, and the separation and presentation of each set of cash flows provides very little insight to investors. These intercompany transactions require extensive analysis and manual reclassification adjustments to ensure the activity is recorded accurately, resulting in excessive complexity and effort relative to the limited benefits of providing this information to investors .

The disclosures described in response to Question #34 of the Request would be helpful to investors, and would reduce the complexity of the preparation of the disclosures.

***Question #37** How could we improve the usefulness of the Consolidating Information? Could we do so by revising its content requirements? If so, what changes should be made and why?*

**GM Response:** We believe that the presentation of guarantor summarized information would improve the usefulness of the Consolidating Information, especially related to cash flow information. For example, when an entity manages cash centrally and utilizes numerous non-guarantor funding entities there are numerous cash transactions that move between entities monthly and the detailed presentation of these activities provides very little, if any, information to investors.

***Question #38** Should we consider revising the requirement to provide Consolidating Information for interim periods to focus on significant changes similar to Rule 10-01(a)(5) of Regulation S-X, which allows*

*registrants to apply judgment and omit details of accounts that have not changed significantly in amount or composition since the end of the most recently completed fiscal year? Why or why not?*

**GM Response:** We believe the interim disclosure requirements under Rule 3-10 should be revised to be consistent with the broader interim guidance under Rule 10-01(a)(5): quarterly disclosures would only be required if there are significant changes from the prior year-end. This type of disclosure would highlight significant changes around the guarantor, which would be meaningful to investors. The Consolidating Information is routine and does not currently require disclosure around significant changes. If the disclosure requirements were modified then the disclosure would provide more meaningful information.

**Question #39** *Is there other disclosure that would allow us to modify the requirement for separate, audited financial statements of recently-acquired subsidiary issuers/guarantors that would be useful to investors? If so, what disclosure would be appropriate and in what circumstances? If not, why?*

**GM Response:** See discussion in Questions #34 and #35 of the Request.