



THE CLEARING HOUSE
Advancing Payment Solutions Worldwide

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September 29, 2004

Mr. Lawrence W. Smith
Director of Technical Application
& Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Letter of Comment No: **36**
File Reference: EITF03-1
Date Received:

Re: FASB Staff Proposed Position, Effective Date of Paragraph 16
of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary
Impairments and Its Application to Certain Investments"

Dear Mr. Smith:

The Clearing House Association L.L.C. ("The Clearing House"), an association of major commercial banks¹, appreciates the opportunity to comment on the Financial Accounting Standards Board's (the "FASB") proposed delay of the effective date of application of paragraph 16 of Emerging Issues Task Force Issue 03-1 ("EITF 03-1") related to debt securities that are impaired solely because of interest rate and/or sector spread increases (the "Proposal").

We commend the FASB for their swift response to the questions regarding implementation of EITF 03-1. The ramifications of EITF 03-1 interpretations for banking organizations' investment decisions could be significant and some interpretations had caused confusion. Accounting for investment securities is a critical area of concern for all banking organizations, and we appreciate the FASB's timely efforts to address the consequences of the confusion surrounding application of EITF 03-1.

The Clearing House fully supports the FASB's proposal to delay the effective date of paragraph 16 of EITF 03-1, which provides guidance for debt securities that cannot be prepaid or otherwise settled in such a way that the investor would not recover substantially all of

¹ The members of The Clearing House are Bank of America, National Association; The Bank of New York; Citibank, N.A.; Deutsche Bank Trust Company Americas; HSBC Bank USA; JPMorgan Chase Bank; LaSalle Bank National Association; U.S. Bank National Association; Wachovia Bank, National Association; and Wells Fargo Bank, National Association.

its cost. In addition, given the open questions posed by the FASB, which extend to all investments within the scope of EITF 03-1, we encourage the FASB to delay application for all investments covered to ensure adequate time for interested parties to work through interpretation and application issues of the guidance and its proposed clarifications.

We understand that the FASB is considering providing additional guidance to clarify the definition of "*minor impairments*" as this term relates to the severity of impairments for debt securities covered under paragraph 16. We feel that the guidance within EITF 03-1 is adequate with respect to the severity of impairments over equity and debt securities covered under paragraph 10; however, as the FASB works to reach conclusions on the open questions surrounding what guidance, if any, should be provided on severity for all securities covered within EITF 03-1, we feel that the delay should be expanded to include debt and equity securities covered under paragraph 10.

* * *

Thank you for considering our thoughts on the Proposal. The Clearing House members hope our comments are helpful, and we would welcome the opportunity to meet with you in person if you would find that to be useful. If you have any questions, please contact Norman R. Nelson, General Counsel of The Clearing House, at 212-612-9205.

Sincerely yours,

