

Swiss Re



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Comments to Exposure Draft No. 1225-001 on accounting for transfers of financial assets (an amendment of FAS 140)

Swiss Re, as one of the world's leading reinsurers, supports the FASB in developing US GAAP. Swiss Re, operating through more than 70 offices in more than 30 countries, is exposed to accounting regulations issued by many different national standards setters, regulatory and tax authorities. Currently, Swiss Re Group's financial statements are published in accordance with Swiss GAAP (FER).

We have the following comments on the Exposure Draft.

Isolation analysis

According to the newly added paragraph 9(d), the isolation analysis must consider any arrangement or agreement made in connection with a transfer even if it was not entered into at the time of the transfer.

Although, in principle, we agree with the proposal, we are concerned that some unrelated transactions that have been entered into with the same counterparty in the ordinary course of business over time, may have to be considered together. Therefore, we suggest that the Board clarify when an arrangement or agreement is considered to have been made in connection with a transfer.

We are not convinced that it is necessary to add the guidance on legal analysis in paragraphs 27A and 27B. We are aware that, in practice, true sale opinions are occasionally obtained to support the isolation analysis under the existing provisions of FAS 140. However, we believe that a legal analysis should not be the sole determinant of the accounting treatment of a transaction under US GAAP.

In our opinion, the existing guidance in paragraph 27 of FAS 140 is sufficiently clear that derecognition of transferred assets is appropriate only if the available evidence provides reasonable assurance that the transferred financial assets would be beyond the reach of the powers of a bankruptcy trustee or other receiver for the transferor.

We appreciate the opportunity to comment on the Exposure Draft. Please do not hesitate to contact me if you have any questions regarding our comments.

Yours sincerely,

M. Swallow

Mark Swallow
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