## BANK ONE.

October 27, 2003

Mr. Lawrence Smith
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
E-mail: director@fasb.org

Proposed FASB Staff Position No. 45-a: Whether FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," Provides Support for Subsequently Accounting for a Guarantor's Accounting at Fair Value

Dear Mr. Smith:

Bank One Corporation ("Bank One") is pleased to have the opportunity to comment on the above-referenced proposed FASB Staff Position ("FSP"). Bank One is the nation's sixth-largest bank holding company, with assets of approximately \$300 billion, providing a wide array of lending products to commercial, institutional and retail customers. We believe Bank One is well qualified to comment on the proposed FSP.

The proposed FSP provides three general approaches for subsequently accounting for guarantees: "Depending on the nature of the guarantee, the guarantor's release from risk has typically been recognized over the term of the guarantee (a) only upon either expiration or settlement of the guarantee, (b) by a systematic and rational amortization method, or (c) as the fair value of the guarantee changes (as is done, for example, for guarantees accounted for as derivatives)." However, our concern with the proposed FSP is that it does not provide any relevant interpretive guidance on which of these methodologies should be used to account for guarantees subsequent to initial measurement. Current GAAP guidance does not address subsequent accounting for guarantees except in the case of derivative instruments.

FASB Statement No. 133, "Accounting for Derivatives and Hedging Activities," is the only standard for which there is specific guidance on subsequent accounting for guarantees, and it is only relevant if the guarantees are considered derivatives. In addition, SFAS No. 5, "Accounting for Contingencies," is cited as the FASB standard that prompted the Board to issue FIN No. 45, but it does not address subsequent accounting for guarantees or the methodologies that may be applied to measure changes in guarantees in subsequent periods.

A fundamental purpose of financial pronouncements is to provide users with a framework of how to account for transactions at inception and subsequently. With that in mind and given the potential diversity in practice, the proposed FSP would be better served if it provided relevant interpretive guidance clarifying how guarantees should be accounted for subsequent to initial measurement. Subsequent accounting is critical as this provides accounting consistency across companies and better financial transparency.

Bank One appreciates the opportunity to comment on the proposed FSP. If you have any questions on this comment letter or would like any additional information, please do not hesitate to contact Melissa J. Moore at (312) 336-4060 or William L. Tabaka at (312) 336-3723.

Very truly yours,

Melissa J. Moore Controller and Chief Accounting Officer

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William L. Tabaka
Director of Reporting and
Accounting Policy

William L. Falsen