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April 13, 2004

Ms. Suzanne Q. Bielstein Director of Major Projects and Technical Activities Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re: File Reference 1200-400

Dear Ms. Bielstein:

MBNA Corporation ("MBNA"), a bank holding company, appreciates the opportunity to comment on the Exposure Draft dated December 15, 2003, entitled Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3 (the "Exposure Draft").

Letter of Comment No: 47
File Reference: 1200-400
Date Received: 4/13/04

We support the Board's efforts to promote international convergence of accounting standards concurrent with improving the quality of financial reporting. We understand the Board's objective to improve comparability of financial information between periods presented by requiring retrospective application to all comparative financial statements when adopting most accounting changes.

While we agree that the retrospective application approach described in the Exposure Draft could enhance the interperiod comparability of financial information for individual reporting entities, overall we believe that the costs of this proposal will outweigh the benefits. Specifically, we urge the Board to consider I) the adverse impact on investor confidence from regular restatements of previously reported financial information, 2) the negative impact on the informational value of reported results due to potential inconsistency among different enterprises resulting from flexibility in implementation requirements, and 3) the direct incremental costs to be incurred by entities applying the standard. The Board should also consider whether the inconsistent application of

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retroactive transition among standards is supportable within the conceptual framework of generally accepted accounting principles.

Integrity of Reported Financial Information and Investor Confidence

We strongly recommend the Board consider the adverse effect that this proposed standard could have on the perceived integrity of financial information in the marketplace and the resulting impact on investor confidence in reported financial information. Regularly restating financial information disclosed in prior periods each time an accounting pronouncement is issued may cause investors and other users of financial statements to question the integrity of *any* reported financial information. A lack of confidence in reported financial data would impact investor behavior, resulting in adverse impacts on the markets for both capital and credit.

Inconsistency Among Different Enterprises

As currently written, the Exposure Draft does not ensure consistent application by all entities for retrospectively reporting the cumulative or period-specific effects of an accounting change. Exempting some reporting entities from these requirements based on their inability to determine the effects of retrospective application of an accounting change will have the unintended consequence of inconsistent application among reporting entities, undermining the comparability of the effects of the accounting change among different entities. We realize that the Board can not impose a requirement to provide data that simply can not be determined; but the proposed rule - which requires restatement only for those entities that can determine the effect of a change, while exempting those than can not - penalizes entities with more sophisticated reporting capabilities. This creates an unjustifiable inconsistency among reporting entities. Lack of comparability among entities that should otherwise report similar results or trends for current and prior periods decreases the value of the information reported and could negatively impact the efficient allocation of economic resources among enterprises.

Direct Incremental Costs of Application

It is important to understand the enormous implementation burden created under this approach each time a FASB Statement, Interpretation, Staff Position or Concept Statement, or consensus of the Emerging Issues Task Force is issued. Sufficient transition time must be given for researching historical data and validating information to appropriately implement each new standard that carries this requirement. Time provided for implementation of new standards is already constrained as a result of 1) shorter implementation timeframes provided by the Board, 2) standards being released closer to year-end and 3) the increased frequency at which new standards are being issued.

As the Board moves towards developing more principle-based standards, which are inherently more complex to apply in practice, additional time and resources will be required to interpret and implement each new standard. This burden is compounded when

considering the additional requirements to determine and report the cumulative effect of the change and the impact of the change on prior periods presented in comparative statements. Taken together, these points greatly impact the cost-benefit analysis and call into question the relative benefit of requiring retroactive application as the transition method for most standards.

The cost of implementation will be significant for all companies, but the cost in terms of time and resources necessary for retroactive application is disproportionately greater for public companies given the requirements those enterprises already face concerning enhanced disclosures, interim reporting, and the accelerated filing requirements which apply to all Securities and Exchange Commission ("SEC") registrants.

SEC registrants are required to present five years of comparative financial information in their annual reports on form 10-K and to report interim results each quarter on form 10-Q. Private companies are not subject to these requirements.

In 2003, the three-year phase-in began of the SEC's accelerated filing schedule for quarterly and annual financial reports. By 2005, the SEC will have reduced by one-third the amount of time entities are allotted to issue annual form 10-K (from 90 days to 60 days after year end) while the time for quarterly form 10-Q filing will be reduced from 45 to 35 days after quarter end. The accelerated filings, when coupled with the retrospective application approach, significantly increase the complexity of preparing financial statements with the degree of accuracy expected by the readers of the financial reports.

Additional audit or review procedures must be done when prior periods are affected, and this in turn creates additional work (and cost) for both the reporting entity and its auditors.

We recommend the Board reconsider the relative costs and benefits of requiring retroactive application and reporting for accounting changes by public companies in a principles-based environment.

Inconsistent Application of Retrospective Implementation

Ironically, the Exposure Draft itself does not call for its own application through the retrospective approach. Paragraph A20 of the proposal states that the Board decided on prospective application for this standard because the Board believes that the costs of restating previously issued financial statements to apply this standard outweigh the benefits.

In addition to not requiring retroactive application of the proposed standard itself, there will be other instances where new accounting pronouncements will permit departures from the retrospective application requirement. For example, "Share-based Payment", the

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Board's recent proposal on equity-based compensation, calls for modified prospective application of its requirements and strictly prohibits restatement of prior periods. We do not believe the FASB has clearly established why the inconsistent requirements are appropriate.

As a final note, we wonder how implementation of new SEC accounting or reporting requirements will be handled, since those standards are not within the scope of the GAAP hierarchy outlined in AICPA Statement of Auditing Standards No. 69 and considering that SEC requirements generally call for prospective application.

Conclusion

We appreciate the opportunity to offer our views on the Board's proposals concerning accounting changes. We support the Board's stated objective, however, we urge the Board to consider the broader implications of establishing retrospective application as the presumed transition method for all new accounting pronouncements. For all of the foregoing reasons, we believe the costs of Board's proposed approach outweigh the benefits to be gained and the proposal should therefore be abandoned.

We urge the Board to consider these comments in further analyzing the proposed amendment. If you have any questions on any of the comments contained in this letter, please contact me at (302) 453-2074 or Kenneth A. Vecchione, Senior Vice Chairman and Chief Financial Officer of MBNA America Bank, N.A. at (302) 432-1103.

Sincerely,

Vernon H.C. Wright Chief Financial Officer MBNA Corporation

Executive Vice Chairman MBNA America Bank, N.A