CREDIT SUISSE

CREDIT SUISSE GROUP
Paradeplatz 8
PO Box 1
8070 Zurich
Switzerland

July 24, 2006

LETTER OF COMMENT NO. 4

Ms. Pat Donoghue
Project Manager
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116
director@fasb.org

Re: Exposure Draft on the Proposed Statement of Financial Accounting Standard *"Transfers of Financial Assets"*

Dear Ms. Donoghue:

We take this opportunity to comment on the initial decisions reached by the Board as it redeliberates the referenced project.

We strenuously encourage the Board to reconsider the need for paragraph 40b of SFAS 140.

As a transferor of financial assets, we spend hundreds of hours each quarter to ensure compliance with paragraph 40b. Each quarter this effort results in the identification of transactions in which we have retained beneficial interests impacted by a derivative in what otherwise would be a qualifying SPE resulting in secured borrowing treatment rather than sale accounting for the transaction. In substantially all of these instances the problematic beneficial interest retained amounts to less than 1 percent of the beneficial interests impacted by the derivative. It should be further noted that if we were able to achieve sale accounting on these transactions, the problematic beneficial interests retained would be classified as trading securities and carried at fair value with changes in fair value recorded in earnings. There is no decision-useful information provided to financial statement users from presenting these transactions as secured borrowings. Further, the lack of guidance on how to account for a secured borrowing has no doubt resulted in diversity in practice that further impairs the decision-usefulness of information presented in the financial statements.

We believe that the issuance of Statement of Financial Accounting Standard No. 155, *"Hybrid Financial Instruments,"* eliminated the need for paragraph 40b through the elimination of DIG Issue D1. Because of SFAS 155, there is no way that a derivative can be embedded in a beneficial interest (retained or sold to an outside interest) without the embedded derivative being identified and carried on a bifurcated basis or

CREDIT SUISSE GROUP
Paradeplatz 8
PO Box 1
8070 Zurich
Switzerland

the entire instrument being carried at fair value with changes in earnings. However, the Board's fear of what it perceives as the unknown, but that is actually the impossible, keeps it from improving financial reporting by eliminating paragraph 40b.

Knowing that the Board is reluctant to remove the safety net of paragraph 40b, we would propose that the Board consider exempting from the requirements of paragraph 40b any interests retained by the transferor that is carried at fair value with changes in fair value recorded in earnings. We believe that such a change would significantly reduce the burden of complying with paragraph 40b and would improve the consistency and comparability of transferor financial statements.

If you have any questions or would like any additional information on the comments we have provided, please do not hesitate to contact Eric Smith on 212-538-5984.

Sincerely,

Rudolf Bless
Managing Director
Chief Accounting Officer

Eric Smith
Director
Accounting Policy and Assurance