UNION
BANK OF
CALIFORNIA

LETTER OF COMMENT NO. 87

January 4, 2007

Robert H. Hertz
Chairman, Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Reference No. 1215-U01 "Delay in Implementation of FIN 48"

Dear Chairman Hertz,

UnionBanCal Corporation, a $54 billion commercial financial holding company, headquartered in San Francisco California, strongly urges the Financial Accounting Standards Board (the Board) to consider a delay in the effective date of FIN 48, "Accounting for Uncertainty in Income Taxes."

Although we have been working diligently on applying the provisions of FIN 48, we recognize that there are many substantive, procedural and documentation challenges posed by the new interpretation that were not foreseen. A one year delay in the effective date of this pronouncement would provide us with sufficient time to ensure that our evaluations for recognition and measurement of uncertain tax positions fully comply with the Interpretation. Additionally, such a delay would also provide our independent auditors with the time needed to resolve unanswered questions and reduce the likelihood of unintended diversity in practice.

In addition, we would ask you to consider the need to clarify how FIN 48 defines interest, specifically interest income. Currently, the language in FIN 48 appears to only provide for interest expense and penalties related to underpayments of income taxes. Such lack of specificity has produced some confusion as to how the interest income can be classified. Our recommendation to the Board would be to define "interest" in FIN 48 as including both interest income and interest expense (accrued or realized). Additionally, as a financial institution, where net interest income is tantamount to cost of goods sold, we would also ask the Board to amend paragraph 19 to allow a financial institution the alternative accounting policy of reflecting interest income or interest expense in a noninterest income or noninterest expense category if interest and penalties are not reflected in income tax expense.

UnionBanCal Corporation appreciates the opportunity to comment on these very important issues and would be pleased to discuss them with the Board. If you have any questions about our comments, please do not hesitate to contact me at 415-765-2742 or Jacqueline.bean@uboc.com or Barbara Kosnar at 415-765-2080 or Barbara.Kosnar@uboc.com.

Sincerely,

Jacqueline F. Bean
Senior Vice President and Manager
Union Bank of California

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