1510-100

LETTER OF COMMENT NO. 17

JPMorganChase

Shannon S. Warren
Managing Director
Corporate Accounting Policies

March 2, 2007

Mr. Lawrence Smith
Director – Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 1510-100
Exposure Draft – Disclosures about Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133

Dear Mr. Smith:

JP Morgan Chase & Co. ("JPMorgan Chase" or "the Firm") appreciates the opportunity to comment on the Financial Accounting Standards Board's ("FASB" or "the Board") December 8, 2006 Exposure Draft of the Proposed Statement of Financial Accounting Standards, *Disclosures about Derivative Instruments and Hedging Activities, an Amendment to FASB Statement No. 133* (the "Exposure Draft" or the "ED"). JPMorgan Chase has actively participated in the preparation of the comment letter submitted by the International Swaps and Derivatives Association ("ISDA"). As such, we support the positions in the ISDA comment letter. However, due to the importance of the Exposure Draft, we felt it necessary to provide the following comments separately.

Overall, we do not support the scope of the Exposure Draft. The Derivatives Disclosures project is one of many recent projects requiring disclosures for financial instruments. We are concerned by the volume of disclosures collectively required in these individual projects. We believe that the sum of the individual requirements diverges in content, complexity, volume and cost from requirements that would be developed in consideration of financial instruments as a whole. We therefore recommend that the FASB include derivatives disclosures in a broader financial instruments disclosure project.

If the FASB elects to issue separate disclosure guidance for derivatives, we would further express our concerns with the provisions of the Exposure Draft because, in our view, the disaggregated nature of the proposed disclosures are not necessary to meet the stated objectives. Further, we believe that the Board has underestimated the time and resources needed to operationalize the disaggregation and compilation

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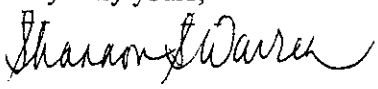
of the data. We do not believe that it will be possible for most preparers to meet the proposed effective date.

We appreciate the opportunity to submit our views and would be pleased to discuss our comments in the attached Appendix with you at your convenience. If you have any questions, please contact me at 212-648-0906.

Very truly yours,



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Appendix 1

Objectives & Disaggregation of Disclosures

We agree with the view expressed in the ISDA comment letter that the Exposure Draft reflects an unresolved conflict between a desire to require more risk disclosures for derivatives and the knowledge that such disclosures are not meaningful in the current limited scope of the project that does not include all offsetting risks. The Basis for Conclusions in many cases does not specify how particular disclosure requirements meet, but do not exceed, the information needed to provide additional transparency into how and why an entity uses derivatives, how those derivatives are accounted for, and how they impact the financial statements, the stated objectives. In the absence of such linkage explaining why specific proposed requirements are necessary at such a detailed level in order to meet the transparency objective, we are unable to discern benefits that outweigh the operational and systems costs of compliance with the proposal.

We are most troubled with three of the proposed requirements. Our concerns with the notional disclosures and gains and losses segregated by closed and open hedges are represented in the ISDA comment letter. Our third concern regards the segregation of disclosures by balance sheet line item; we fail to understand why such segregation is necessary.

For example, a bank may have cash flow variability resulting from liabilities that reset or reprice to market rates at given intervals. These repricing risks may be similar across several balance sheet line items. In such an example, we would believe that the understanding of the hedging activity would be best expressed in the aggregate for all repricing risk hedges across balance sheet line items. Similarly, many fair value hedges involve converting fixed rate financial instrument assets or liabilities to floating rates. These financial instrument exposures may be sufficiently similar to justify an aggregate presentation. We do not understand why an aggregate presentation would be precluded when, in our view, the stated objectives of the Exposure Draft would be met. We thus do not support required disclosure of SFAS 133 hedging activity by balance sheet line item.

We believe that the requirement to disaggregate derivative accounting information by detailed criteria including balance sheet line item reflects an attempt to meet objectives beyond an understanding of how and why and entity uses derivatives, how those derivatives are accounted for, and how they impact the financial statements. The result, in our view, is a voluminous excess of data that will not be useful. We believe that the stated objectives could be met in a more understandable and cost-efficient manner. If additional objectives exist, including providing additional risk information, we recommend that those objectives be evaluated for three conditions; (1) whether they can be met in the current scope of the project; (2) whether the outcome of those objectives belong in the footnotes to the financial statements; (3) and whether the best communication of those objectives is through accounting information or through risk measures such as value at risk, stress test results, or basis point values, etc.

Cost of Providing the disclosures & Effective date

We have significant concerns with the operational impact of the proposed disclosures. While certain of the information to be disclosed is generated at the individual transaction level by meeting current hedge

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accounting requirements, other information, especially for derivatives not in Statement 133 hedge relationships, is not. A major example of a new and operationally intensive disclosure is the proposed requirement to show gains and losses segregated by closed versus open positions. In addition, we believe the Board has underestimated the operational effort required to disaggregate, sort and re-aggregate the information into such a detailed disclosure across multiple derivative types, systems, operations groups and regions. Further, the operational difficulty is compounded by the retrospective nature of the requirement to apply the disclosures to the current year's year-end financial statements. In summary, we do not believe that the Board's benefit-cost considerations are met. We believe that most preparers will be unable to comply with the proposed effective date, and suggest that it be delayed until fiscal years ending after November 15, 2008 based on the requirements currently proposed.

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