



September 27, 2007

Mr. Russell G. Golden
Director of Technical Application & Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

File Reference: Proposed FSP FAS 140-d

Subject: Comment Letter on Proposed FASB Staff Position No. FAS 140-d,
Accounting for Transfers of Financial Assets and Repurchase Financing
Transactions (the "proposed FSP")

Dear Mr. Golden:

Wachovia Corporation is pleased to have the opportunity to comment to the Financial Accounting Standards Board (the Board) on the proposed FASB Staff Position No. FAS 140-d, *Accounting for Transfers of Financial Assets and Repurchase Transactions* (the "proposed FSP"). Wachovia, across its various businesses, may engage in multiple transactions with the same customer and such transactions may involve, at different points in time, the same or similar assets. As such, the guidance in the proposed FSP could have far reaching consequences for our financial reporting. Additionally, we believe the framework set forth in the proposed FSP will prove, at best, to be operationally challenging.

We appreciate the Board's objective of providing clarification as to when various forms of involvement should be considered in the evaluation and application of the control criteria of Statement of Financial Accounting Standards No. 140 to a particular transaction;

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however, overall we do not support the issuance of the proposed FSP in its current form. Our concerns with the proposed guidance can be summarized as follows:

- We do not support the overarching premise that two transactions are presumed to be linked unless such presumption can be overcome; rather we believe that indicators of linkage should be evaluated in the aggregate in order to determine whether transactions should be linked for purposes of applying Statement 140.
- We question the condition in paragraph 7.c. that the underlying asset be considered a
 Level 1 asset under Statement 157 as a necessary indicator of the existence of a valid
 business or economic purpose for the transaction(s) and a necessary indicator that
 control over the asset has been relinquished.
- We believe there are significant operational challenges associated with the presumption approach presented in the proposed FSP, particularly the requirement to evaluate a "repurchase financing" without respect to the lapse of time.
- We recommend that the effective date of the proposed guidance be deferred until fiscal years beginning after November 15, 2008.

Our comments are further expanded upon below.

Presumption of Linkage

We do not support the overarching premise that two transactions are presumed to be linked unless such presumption can be overcome; rather we believe that indicators of linkage should be evaluated in the aggregate in order to determine whether transactions should be linked for purposes of applying Statement 140. We acknowledge that transfers of financial assets where the transferor may have other involvement with a specific asset can require special consideration when determining whether the transferor has relinquished control of the transferred asset under the provisions of Statement 140; however, an approach whereby such involvement is automatically presumed to be part

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and parcel with the transfer being evaluated seems to be unduly far-reaching. While paragraph 27 of Statement 140 states that "[A]ll available evidence that either supports or questions an assertion shall be considered," the real question is what components are deemed involvement as part of the evidence in evaluating a transfer of assets and where the demarcation line falls for such evidence – i.e., a linkage question. Our experience has been that generally accepted accounting principles [typically] apply a separate accounting evaluation to individual transactions unless other clear evidence exists that two transactions should be combined for accounting purposes. This approach would also seem more in keeping with the financial components approach outlined in Statement 140.

Rather than a rebuttable presumption approach, we support an approach whereby the existence of certain facts or circumstances *could* indicate that a given transfer of assets and subsequent repurchase financing are linked and thus be combined for purposes of applying the provisions of Statement 140. The matter of linkage or the combining of two transactions for accounting purposes has previously been addressed by the Board, albeit in the context of other accounting standards (e.g., DIG Issue K-1 related to derivative contracts and hedge accounting). We believe that constituents would be better served by building upon such existing frameworks rather than developing a new linkage model for a narrow set of transactions.

Specifically, the contemporaneous nature of transactions and transactions entered into in contemplation of each other with the same counterparty are strong indicators of a need to combine transactions for accounting evaluation purposes. We agree with the criterion enumerated in paragraph 7.a of the proposed FSP that contractual and/or implied contingencies would lead one to link two transactions for accounting purposes. However, we disagree with any further prescription of automatic criteria for linking two transactions. We believe that professional judgment is required of the facts and circumstances surrounding transactions in the aggregate and that a more principled

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approach would be best suited to establishing whether two transactions should be linked for accounting purposes.

Level 1 Asset Requirement

If the current presumption approach outlined in the proposed FSP is retained, we particularly question the condition in paragraph 7.c. that the underlying asset be considered a Level 1 asset under Statement 157 as a necessary indicator of the existence of a valid business or economic purpose for the transaction(s) and a necessary indicator that control over the asset has been relinquished. We believe that such criterion will result in many repurchase transactions being scoped into the guidance of the proposed FSP as the universe for Level 1 assets is relatively small in scale to the overall financial markets and all repurchase transactions occur in the over-the-counter market.

Further, we question the meaningfulness of this criterion in achieving the proposed FSP's objective. While an asset may be "unique," uniqueness does not necessarily translate into maintaining control over the asset. We disagree with the notion that the initial transferor's knowledge of the underlying asset and thus increased ability to provide appropriate pricing of the repurchase transaction creates an economic compulsion for the transferee that rises to the level of the initial transferor's control over the asset. This appears to be an inordinate extension of such analysis. We recommend that this criterion be removed.

Operational Challenges

We believe there are significant operational challenges associated with the presumption approach presented in the proposed FSP, particularly the requirement to evaluate a "repurchase financing" without respect to the lapse of time. The presumption approach outlined in the proposed FSP will require a company to essentially continuously search throughout its organization for any points of involvement with a particular asset and with a particular counterparty and recombine such transactions in order to then evaluate the

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"combined transaction" under paragraph 7 of the proposed FSP. In light of the global nature of organizations and various business relationships with counterparties existing across multiple divisions of an organization, an exhaustive search to, first, put transactions together and then evaluate whether such transactions should be accounted for on a combined or separate basis is, at best, impractical. Current systems are not in place to track transactions in this manner unless there is an identified business purpose upfront that contemplates such combination.

Additionally, the requirement in paragraph 4 of the proposed FSP whereby all subsequent transactions involving the asset and counterparty must also be evaluated under the proposed FSP's guidance is unwarranted. We agree that some minor passage of time when a second transaction is fully contemplated should not cause the two transactions to be exempt from linkage consideration; however, we again disagree with the premise that any transaction involving the same asset and same counterparty is presumed to be linked. The passage of time and separate negotiations surrounding a second transaction rather are key signs that, in fact, transactions are not linked and the second transaction does not result in the retention of control being attributed back to the initial transfer. We suggest that the resulting guidance rely more on the principle of linkage rather than prescribing a model that will continuously cause a search for linked transactions.

Effective Date

We recommend that the effective date of the proposed guidance be deferred until fiscal years beginning after November 15, 2008. We understand that some constituents believe the matter prompting the issuance of the proposed FSP is a pressing practice issue; however, as stated above we believe that linkage guidance already exists in authoritative literature as a basis for addressing these concerns. Further, the guidance as proposed will require significant implementation efforts and assumptions in order to operationalize the provisions (e.g., global and cross-divisional notification systems for transactions occurring for certain assets and with certain counterparties). Additionally, the Board should consider

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whether the issuance of this guidance would be better served if it were incorporated into the current project to amend Statement 140 as a means of simplifying the codification process.

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We would be pleased to address any questions you may have regarding the comments in this letter or to discuss our position in more detail, at your convenience. Please feel free to contact me at 704-383-3021 (or by email at pete.carlson@wachovia.com) or Karen Dealey at 212-214-6502 (or by email at karen.dealey@wachovia.com).

Sincerely,

/s/ Peter M. Carlson Senior Vice President and Corporate Controller

cc: Thomas Wurtz, Senior Executive Vice President and Chief Financial Officer