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LETTER OF COMMENT NO. 22

File Reference: Proposed FSP APB 14-a, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*

Dear Mr. Golden:

Credit Suisse Group ("CSG") appreciates the opportunity to express our view on the Financial Accounting Standard Board's ("FASB") proposed Staff Position No. APB 14-a, *Accounting for Convertible Debt Instruments That May be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (the "Proposed FSP"). CSG is registered as a foreign private issuer with the Securities and Exchange Commission and its consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("US GAAP").

CSG does not support the Proposed FSP, which requires separation of the conversion option from the convertible debt instrument based solely on the fact that the instrument could be settled in cash. CSG will address several issues that have been raised by the Proposed FSP and strongly recommend that, at the very least, the effective date should be delayed until 2009.

We believe that the FASB should address the accounting for convertible debt instruments as part of the broader project on debt and equity. We have concerns with the current approach the FASB is taking and believe that proposing changes to portions of the current guidance relating to equity and liability accounting (such as the Proposed FSP and EITF No. 07-5: *Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock*) without reviewing these issues within the context of the broader FASB liabilities and equity project is not the most effective method to develop accounting standards and may lead to inconsistencies. We believe that the Proposed FSP could end up being only a temporary approach to accounting for a specific type of convertible debt instruments and as a result may lead to greater confusion by the financial statement users. Given the possibility that the accounting could be changed again due to the second phase of liabilities and equity project, we fail to see the benefits of pre-empting the outcomes of this major accounting project. This piece meal approach will lead to a lack of

stability in the accounting platform and will make it challenging for users to adapt to the continuous changes. As such, the Proposed FSP fails the stated objectives of providing more clarity and comparability to the users of financial statements. In addition, the Proposed FSP will also increase accounting complexity at a time when there is a public desire to reduce such complexity. For instance, one only needs to look at the number of entries that will be required to account for an early conversion, to realize that a substantial complexity will be introduced.

Concerns with bifurcation model

We are concerned that this approach does not necessary reflect the true economics of the transaction. Convertible debt instruments addressed by the Proposed FSP are sold as single securities and the market participants do not view them separately and in isolation of one another. In addition, requiring issuers to disregard the terms of the embedded conversion option when determining the expected life and fair value of the debt component is inconsistent with the way the market participants value such instruments. Thus, we believe that there is a fundamental flaw inherent in recording the nonconvertible debt cost of borrowing without reflecting the inseparability of debt and equity components. Furthermore, the proposed accounting for the interest expense (including both the debt discount amortization and the actual interest paid on the convertible instrument) does not reflect the actual rate paid on the instrument. Given that the convertible debt market investors would assign the same value to the security regardless of the settlement alternatives, we believe that the accounting should also reflect the same economics.

The existence of several common features found in convertible instruments (issuer calls and investor puts) would require significant judgement calls on behalf of issuers when determining the expected life and comparable nonconvertible cost of debt. Paragraph 14 of the Proposed FSP indicates that “the debt discounts shall be amortized over the expected life of a similar liability that does not have an associated equity component (considering the effects of prepayment features under other than the conversion option)”. We believe that the Proposed FSP is not very clear on how to determine the estimated life of the debt and as companies have significant flexibility in issuing debt with a range of maturities we believe any estimate used could easily be challenged. Therefore, the determination of expected life may create inconsistency and hinder the objective of achieving comparability among various issuers who have this type of convertible instrument.

In addition, paragraph B7 of the Proposed FSP stated that it is less difficult to apply the proposed separation model than other alternative approaches to separation. However, this may not always be the case. For some companies and in some industries it may be easier to determine the value of the equity portion rather than the debt portion, especially in situations where debt without a conversion feature has never been issued or is uncommon as industry practice. As a matter of fact, some convertible issuers could not even issue nonconvertible debt in the market due to their credit profile. As a result, the rate used to value the debt component would be entirely

arbitrary, and would not in any case represent the financing reality available to the issuer.

Convergence with IFRS

CSG supports convergence with IFRS. The Proposed FSP only aligns itself with IFRS with regards to the separation model. However, it does not use the same valuation or classification approach with respect to the debt and equity components. As a result, we do not believe that the introduction of separation model in the Proposed FSP is a useful step towards convergence. We suggest that a more integrated approach between the two GAAPs would result if this issue was considered within the context of the FASB and IASB Convergence Project on Liabilities and Equity. Otherwise, the adoption of the Proposed FSP would not enhance comparability between those who adopt US GAAP and IFRS.

Modification

Paragraph 17 of the Proposed FSP states that “if an instrument within the scope of the Proposed FSP is modified such that the conversion option no longer requires or permits cash settlement upon conversion, the components of the instrument shall continue to be accounted for separately unless extinguishment accounting is required under EITF Issues 06-6 and 96-19”. The Board stated that this guidance is consistent with consensus reached in EITF Issues 06-6 and 06-7. We believe that this guidance is inconsistent with the Proposed FSP’s fundamental principle, which requires accounting for instruments within its scope to be accounted for based on their substance. For example, the terms of an Instrument C may be modified to settle the accreted value of the obligation and the conversion spread in stock. In this case, the modified instrument would continue to be accounted for as having two separate components under the proposed guidance, provided that such modification is not an extinguishment under EITF Issues 06-6 and 96-19. The ongoing accounting treatment of two separate components would not properly reflect the substance of the modified instrument. We believe that the issuer should be allowed to recombine the separated components, provided that the modification is not accounted for as an extinguishment.

Treatment of Instruments B and X

CSG believes that the Proposed FSP would also create an inconsistent treatment for Instruments known as B (ability for issuers to settle the conversion obligation in either stock or cash equivalent) and X (ability for issuers to settle the conversion obligation in shares, cash or any combination of). The Proposed FSP would require issuers to bifurcate the debt and equity components of these instruments while at the same time having them to be accounted for under the “if-converted” method for the purpose of computing diluted earnings per share (“EPS”). However, if the issuer issues a nonconvertible debt plus warrants, the warrants will be accounted for under the “treasury stock method” for the purpose of computing diluted EPS. As a result, we believe that there is an inconsistent treatment for Instruments B and X because they would be treated separately for balance sheet purposes but not for EPS computation

purposes. We believe that this inconsistency warrants further deliberations and is yet another reason to delay the implementation of the Proposed FSP.

Other Considerations

The approach documented in the Proposed FSP is very new to many users and they will require time to come to terms with the appropriate accounting treatment. The Proposed FSP has also raised some additional issues:

- How issuance costs associated with the convertible instruments within the scope of this Proposed FSP should be allocated between the debt and equity components.
- How to treat other derivatives embedded within the convertible debt instrument and whether they relate to the debt or equity component.

Effective Date and Transition

Should FASB decide to ratify the Proposed FSP as currently drafted, we suggest that the effective date for adoption be delayed until at least 1 January 2009.

For many companies this is a radical change from the current accounting method and given that many companies issued convertible debt without expectation of the proposed FSP, they need time to assess the impact on their financial statements and take necessary actions. For instance, the application of the Proposed FSP will impact certain financial ratios such as debt/equity ratio. Many issuers may have covenants within loan agreements that will be violated due to the new accounting of the Proposed FSP and they will need time to negotiate this issue with their lenders. Other companies may want to modify their instruments in light of the Proposed FSP.

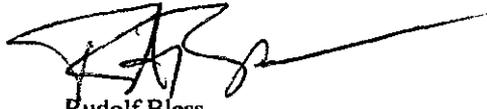
Given the numerous accounting and economic implementation issues facing preparers, we strongly urge the FASB to delay the adoption date. Furthermore, we also recommend that the application of the Proposed FSP not be retrospective for convertible debt instruments whose terms have been modified to eliminate cash settlement before the Proposed FSP becomes effective. We believe that the requirement of retrospective application would cause significant burdens to the issuers while providing little incremental value to the users of the financial statements. We do not believe that there is diversity in practice on applying current guidance for the instruments within the scope of the Proposed FSP.

We hope the FASB will give consideration to our comments above. 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 in New York on (212) 538-5984, or Todd Runyan in Zurich on +41 44 334 8063.

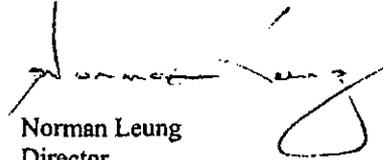
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