

13 June 2008

Mr. Russell G. Golden  
Director of Technical Applications and Implementation Activities  
Financial Accounting Standards Board  
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LETTER OF COMMENT NO. 10

**File Reference: Proposed FSP ARB 43-a, *Amendment of the Inventory Provisions of Chapter 4 of ARB No. 43***

Dear Mr. Golden:

Credit Suisse Group (“CSG”) appreciates the opportunity to express our views on the Financial Accounting Standard Board’s (“FASB”) proposed Staff Position No. ARB 43-a, *Amendment of the Inventory Provisions of Chapter 4 of ARB No. 43* (the “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”).

We appreciate the efforts that the staff and the Board have made to improve financial reporting for inventories held for trading purposes. As a financial institution that manages the risk of trading inventories on a fair value basis, we strongly support the FASB’s efforts to require that inventories included in an entity’s trading activities be measured at fair value. While we encourage the Board to take on a project to further expand the fair value measurement attribute for traded inventories to include non-physical inventories such as energy related contracts and emission credits, we strongly support the issuance of this FSP in its current form. We suggest that the FASB address the accounting treatment for trading items other than physical inventories such as energy related contracts and emission credits in a separate project as soon as possible given the increased relevance of these trades in the market.

**Commodity Inventories**

We agree with the FASB’s decision to not limit this FSP to commodity inventories as the purpose of this FSP is to amend ARB 43, which defines inventory as “the aggregate of those items of tangible personal property ....” An entity’s trading activities may include inventories which are not commodities and we see no

compelling reason to differentiate between the nature of the inventory (i.e., commodity inventory versus other ARB 43 inventory).

### **Readily Determinable Fair Value**

We object to the alternative approach to limit the scope of this FSP to inventories included in an entity's trading activities that have readily determinable fair values. This minimum reliability threshold will increase complexity in the accounting rules and is inconsistent with the framework of Statement 157, *Fair Value Measurements* (FAS 157) which contains no such requirement. Additionally, given that the fair value of these products could evolve from "not readily determinable" to "readily determinable, or vice versa, the minimum reliability threshold could result in an inconsistent measurement (that is, from fair value to cost or vice versa) for the same item at different points in time. The concern over consistency and comparability of the fair valued items has already been addressed by fair value hierarchy disclosure in FAS 157 and as such, this FSP does not warrant a new reliability threshold.

### **Trading Items Other Than Physical Inventories**

We do not object to limiting the scope of this FSP to trading inventories within the scope of ARB 43. However, as a financial institution, we manage the trading inventories along with related non-inventory items such as storage and transportation on a fair value basis as they are an integral part of the trading strategy. We also manage emission credits and power contracts along with power related contracts on a fair value basis and would appreciate that the Board consider a separate project to further expand the fair value measurement attribute for traded inventories to include non-physical inventories such as energy-related contracts and emission credits.

However, if the scope of the proposed FSP can be broadened to include the previously mentioned non-physical inventory items without significantly delaying the issuance of the proposed FSP, we would encourage the Board to explore that approach. Otherwise, we encourage the Board to address the trading items such as emission credits and executory contracts in a separate phase of this project as soon as possible.

### **Entity-wide Accounting Policy Election for Commodity Inventories**

We do not believe that the measurement attribute for inventories should be subject to an entity-wide accounting policy election. We would object to any guidance that would allow a company to choose when to measure a non-financial asset at fair value merely based on the characteristic of the asset itself. In contrast, our view is that the activity of "trading" is the most important principle to be used when determining when fair value measurement is appropriate as it more accurately reflects the economics of a trading inventory portfolio. We agree with the Board that fair value is always the appropriate measurement attribute for inventories included in trading activities.



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**Implementation Issues**

We expect that minimum costs would be incurred to implement this FSP as we have established controls and procedures including valuation infrastructure in place to fair value trading inventories. The expected issuance date in the third quarter of 2008 will provide sufficient time for us to understand and apply the requirements of this FSP.

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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.

Sincerely,

Rudolf Bless  
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Chief Accounting Officer

John Hu  
Vice President  
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