



800 Nicollet Mall
Minneapolis, MN 55402



LETTER OF COMMENT NO. 63

January 19, 2009

Via email: director@fasb.org

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Proposed FASB Staff Position No. FAS 107-a, *Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107*

Dear Mr. Golden,

U.S. Bancorp, the parent company of the sixth largest commercial bank in the United States, with over \$245 billion in total assets, appreciates the opportunity to comment on the proposed FASB Staff Position No. FAS 107-a entitled *Disclosures about Certain Financial Assets; An Amendment of FASB Statement No. 107*, issued December 24, 2008 ("the proposed FSP"). U.S. Bancorp supports the Board's efforts in developing a consistent accounting model for the recognition and measurement of other-than-temporary impairment ("OTTI") of related financial assets. We also support efforts to reevaluate disclosure requirements for the purpose of providing appropriate and meaningful disclosures of OTTI. However, we believe certain aspects of the proposed FSP require additional consideration and clarification. Furthermore, the proposed FSP will be difficult for many entities to implement due to the proposed short time-frame.

As acknowledged in the proposed FSP, inconsistencies exist in accounting models for determining and measuring impairment for related financial assets. U.S. Bancorp continues to believe the appropriate model for measuring impairment should be based on an incurred loss amount. Our strong preference would be for the Board to provide guidance on impairment disclosure along with the adoption of a revised impairment accounting model. However, if the Board elects to issue the proposed FSP as an interim step, we do not support the proposed FSP as drafted because it does not provide a clear objective for requiring alternative measurements nor does it provide sufficient guidance for determining the amounts to be disclosed. Moreover, we strongly believe it is not in the best interest of financial statement preparers and users that a significant disclosure requirement is issued in January 2009 and effective, for many, at December 31, 2008. Such a short timeframe does not allow entities to develop the processes and controls to collect, validate and report the quantitative information required by the proposed guidance.

Objective and Guidance

The proposed FSP states that the purpose for issuance is to address concerns raised about the lack of comparability resulting from the use of different measurement methods. If the objective is to disclose debt securities and loans under comparable measurement methods, the proposed FSP does not accomplish that goal. The proposed FSP requires the incurred loss amount for debt securities be measured based on the present value of expected future cash flows discounted at the security's effective interest rate, as described in SFAS 114. Incurred losses for loans under SFAS 114 may be measured by a market price, the fair value of the underlying collateral or by the present value of expected future cash flows discounted at the loan's effective interest rate. For loans not identified as impaired under SFAS 114, incurred loss may be determined based on a pooled loan approach as defined by SFAS 5. When impairment occurs, subsequent interest income recognition for debt securities is different as compared to interest income recognition for loans. This will result in different carrying amounts which may impact impairment determination in future periods. This would further differentiate disclosed measurements in future periods. It is unclear how disclosing these various measurements side by side provides or enhances comparability. U.S. Bancorp believes financial statement preparers already have a requirement to disclose sufficient information regarding OTTI and fair value and have the opportunity to discuss these topics more fully, if appropriate for a particular issuer, in financial statement footnotes or in Management's Discussion and Analysis, if the issuer is a public registrant.

The proposed FSP requires pro forma income disclosures related to income from continuing operations as if the subject financial assets were carried at fair value and at the incurred loss amounts. However, the proposed FSP does not provide guidance regarding the determination of pro forma income. Specifically, there is no discussion of what types of adjustments should be made in the compilation of pro forma income. It is not clear how activities such as the sale of financial assets should be addressed. There is no guidance regarding whether hedge accounting adjustments should be made if, for example, the subject financial assets are under a hedging relationship but would not be eligible for hedge accounting if measured at fair value. In addition, it is unclear whether compensation expense should be adjusted to reflect the amount of expense that would have been incurred under the alternative measurement. We believe the lack of clear guidance in determining pro forma income will result in significant variations in compilations and would detract from rather than enhance comparability. We do not believe the proposed disclosures are appropriate and beneficial to investors until the Board has thoroughly vetted the implementation and theoretical challenges associated with such measures and subjected them to reasonable due process and field testing.

Effective Date

The proposed FSP states that it will be effective for interim and annual reporting periods ending after December 15, 2008. Many preparers will be subject to the disclosure requirements as of December 31, 2008. However, the requirements of the proposed FSP create significant operational burdens for preparers in that they will require preparers to create and maintain separate calculations and sets of records to support the alternative measurements and the pro forma income under those measurements. The short timeframe for implementation is not sufficient to allow preparers to develop the processes required to collect and calculate the alternative measurement information. Furthermore, the short implementation period could result in a less thorough review and control process being applied to the new disclosure information.

The proposed FSP interim reporting requirement appears to be inconsistent with SFAS 107. SFAS 107 requires fair value disclosure for all financial assets on an annual basis whereas the proposed FSP requires disclosure at fair value for selected financial assets. We believe this approach will result in confusion for the financial statement reader.

Comments on FASB Proposed Questions

1. Do you believe that requiring disclosure of different reporting measurement attributes (that is, as reported in the statement of financial position, at fair value, and at the incurred loss amount) for certain financial assets within the scope of the this proposed FSP would (a) improve the quality of information provided to users of financial statements and (b) increase the comparability of financial statements under U.S. generally accepted accounting principles (GAAP) and IFRS? Why or Why not?

No, as discussed above, U.S. Bancorp supports a comprehensive project to reevaluate the accounting models for determining OTTI and to reduce or eliminate the inconsistencies among those models. We believe a more prudent approach would be to consider OTTI disclosure requirements in conjunction with an OTTI accounting model evaluation. However, if the proposed FSP is an interim step, we do not believe the draft addresses concerns raised about the lack of comparability resulting from the use of the various measurement models. The measurement of impairment for debt securities and loans will continue to vary and it is difficult to understand how displaying these varying calculations side by side achieves comparability.

We believe current disclosure requirements provide for sufficient footnote disclosure of OTTI and fair value calculations. In addition, financial statements preparers have ample opportunity to discuss the impacts of alternative measurements of impairment and the determination of fair value, where relevant, in financial statement footnotes or in Management's Discussion and Analysis.

2. Do you agree that the proposed disclosures should not include financial assets measured at fair value in the statement of financial position with changes in fair value recognized through earnings? If not, would you propose including such financial assets within the scope of this proposed FSP? Should financial assets measured at the lower of cost or fair value (such as mortgage loans) be included within the scope of this proposed FSP? Why or why not?

U.S. Bancorp agrees that financial assets measured at fair value with changes in fair value recognized through earnings should be excluded from the disclosure requirements of this ED.

3. Do you believe that requiring disclosures of the pro forma income from continuing operations (before taxes) for financial assets within the scope of this proposed FSP as if those financial assets were carried (a) at fair value with changes in fair value recognized through earnings and (b) at the incurred loss amount with changes recognized through earnings would improve financial reporting? Why or why not? Should the disclosure requirements described in the preceding sentence also be required for net income and shareholders' equity? Why or why not?

We do not believe the benefit of providing pro forma income outweighs the costs of determining pro forma income amounts. In addition, because the proposed FSP provides no guidance regarding what adjustments should be included in pro forma income, the method of compilation may vary significantly among preparers. Moreover, preparers will face operational challenges in preparing pro forma income amounts as they will be required to maintain separate records to capture the pro forma information apart from the records for preparation of the financial statements. For these reasons, we believe the disclosure of pro forma income would not improve financial reporting. U.S. Bancorp recommends this requirement be excluded if the proposed FSP is issued.

4. Would including separate reconciliations of reported income from continuing operations (before taxes) to the proposed pro forma adjusted income from continuing operations (before taxes) under both a fair value basis and an incurred loss basis for financial assets within the scope of this proposed FSP be useful? Why or why not?

For the reasons stated in our response to Question 3, we do not support a separate reconciliation of reported income to pro forma income.

5. Do you believe that the provisions of this proposed FSP should be effective for interim and annual reporting periods ending after December 15, 2008? Why or why not? Do you believe that the disclosures in this proposed FSP should be provided on a comparative basis for subsequent periods after initial application of the proposed FSP? Why or why not?

The objective of requiring interim disclosures is unclear as current accounting guidance requires disclosure of fair value of all financial assets on an annual basis. The proposed FSP would result in the disclosure of fair value for certain financial assets on an interim basis and all financial assets on an annual basis. We question whether this approach enhances comparability. Furthermore, as addressed in our response to Question 6, we do not believe an effective date of annual reporting periods ending after December 15, 2008 provides a sufficient period of time for implementation of the proposed FSP.

6. Are all of the disclosures in this proposed FSP operational based on the proposed effective date? Why or why not? Please be specific in your response.

U.S. Bancorp believes the effective date of the proposed FSP does not provide sufficient time for many entities to develop the processes to collect, calculate and accurately report the proposed disclosures. The information required is not readily available and the amount of work needed to prepare the disclosures is significant. As noted above, meeting the disclosure requirements will require entities to develop and maintain a set of records separate from those supporting the financial statements. Entities which hold large portfolios of debt securities would be required to develop cash flow models to calculate incurred loss amounts even for securities without significant potential for impairment. It is unlikely a system is readily available to calculate large volumes of security cash flows and it would take significant time to develop, test and implement such a system.

We believe if financial statement preparers are required to prepare the proposed disclosures within the proposed period of time, significant variances in the method of calculation could result, *thereby, detracting from the transparency desired.* We do not believe the proposed implementation period allows adequate time to evaluate the concerns raised by the proposed FSP nor does it allow time for entities to develop the appropriate approach to comply with the disclosure requirements.

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We appreciate the opportunity to submit our views and would be pleased to discuss our comments with you at your convenience. Please contact me at (612) 303-4352 with questions or if you need additional information.

Sincerely,

/s/ Terrance R. Dolan

Terrance R. Dolan
Executive Vice President and Controller