August 30, 2002

Ms. Suzanne Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
401, Merritt 7f
P.O.Box 5116
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Letter of Comment No: 29A
File Reference: 1082-200
Date Received: 08/30/02

Re: File Reference No. 1082-200
Exposure Draft on Consolidation of Certain Special-Purpose Entities, a Proposed Interpretation of ARB No. 51

Dear Ms. Bielstein:

We thank the Financial Accounting Standards Board (FASB) for this opportunity to comment on the exposure draft referenced above. CIBC and its subsidiaries are involved with several types of off-balance sheet arrangements, including Special-Purpose Entities (SPEs). The principal uses of SPEs are to obtain sources of liquidity by securitizing certain of CIBC's financial assets, to provide clients access to liquidity in the commercial paper market through CIBC administered conduits and, as an intermediary, to structure SPE transactions for clients. This enhances the liquidity of the financial markets, spreads credit risk among several market participants, and make new funds available to extend credit to consumers and commercial entities.

We support FASB's effort to improve comparability of financial statements by clarifying consolidation rules for SPEs and to provide more complete information about the resources, obligations, risk and opportunities of a consolidated enterprise. However, we have serious concerns about the proposed interpretation. Our key concerns are:

1. The Exposure Draft does not explicitly exclude Employee Compensation Trusts although they are similar in purpose and structure to the employee benefit plans subject to the provisions of SFAS 87, 106 and 112;
2. The transition period as provided in the Exposure Draft is not adequate for enterprises to understand and evaluate the standard; and
3. The presumption that a fee from an SPE is not market-based, as stated in paragraph 19, is inappropriate in the highly competitive multi-seller SPE market and in the CDO market.

Our detailed comments are listed in the attacehed Appendix.

Conclusion

We are concerned that the proposed rules in the present draft would result in inconsistent application, and inappropriate consolidation. This will result in potential incomparability of financial statements issued by various enterprisesand would defeat the FASB's stated purpose of improving financial reporting by enterprises involved with SPEs.

CIBC appreciates the opportunity to provide the foregoing comments in response to the Exposure Draft. We continue to be available for further discussions and assistance in ensuring that new standards and interpretations meet FASB's stated objectives.

Sincerely

"signed" by Pat Carew
for
Barbara E. MacDonald
SVP & Chief Accountant

Appendix
FASB Proposed Interpretation Exposure Draft: Consolidation of SPEs

1. The exposure draft excludes employee benefit plans subject to the provisions of SFAS 87, 106 and 112. We would like to clarify whether employee compensation trust that do not fall within the provisions of SFAS 87, 106 and 112 need to be evaluated under the provisions of the Interpretation. The purpose and structure of an employee compensation trust is the same as that of the employee benefit plans in that both are primarily for the employee benefit. Hence we believe that employee compensation trusts should be excluded from the provisions of the Interpretation as well.
2. Once the final interpretation is available, it will take time for enterprises to understand and implement the standard properly. As the final Interpretation is not likely to be available until November/December 2002, to implement the standard for pre-existing vehicles in March of 2003 does not provide enough time for enterprises to understand and evaluate the standard. The transition period for pre-existing SPEs should be extended to first interim or fiscal period beginning after June 2003. This would provide a reasonable time to for companies to assess pre-exisiting SPEs.
3. Clarification is needed for certain terminology used in the Interpretation:
   - What is considered "significant administrative services" as referred to in paragraph 25? Is the term "significant" based on the number or type of services provided or is it based on the amount of fees received?
   - What is considered "closely associated" as referred to in paragraph 16.c? Is is based on the nature of activities, number of activities or value of activities?
   - How do we calculate variable interests? Is it based on expected future losses at the time of inception of the vehicle? How is it calculated in the case of Options to acquire assets, purchase contracts and derivative instruments (paragraph 18.f, 18.g and 18.j respectively)
   - Do we need to evaluate expected future losses every quarter?
   - What is considered "temporary" as referred to in paragraph 22.b(1)? Is the basis the duration of holding or it is only the intention that matters?
   - "Non-controlling interests" as referred to in paragraph 26. Will this refer to the small amount relating to the voting interests?
   - Paragraph 23.b refers to "asset support that is subordinate to the interests of other parties." What is included in that term? Would it include any residual interests in the assets held by the SPE as well as any interests that are subordinated to other parties?
4. Does paragraph 22.b apply only to QPSEs where there is an initial transferor? [Paragraph 22.b (2) seems to indicate that a transferor is not mandatory]
5. The provision in paragraph 13.c that states that if no party holds a majority of variable interests, then any party that has a significant variable interest that is significantly larger than any other party's is deemed to have a controlling financial interest over the SPE or its assets. We strongly oppose this approach since this is in contrast with the standards in ARB No. 51 relating to consolidation of subsidiaries under simple operational majority of voting rights.
6. Discretion, under paragraph 23.a, does not by itself constitute a variable interest in economic terms. There are a number of situations where the level and intent of the discretion exercised by an enterprise is not sufficient to justify consolidation. Consequently, paragraph 23.a should be amended to state: "It has authority to purchase and sell assets for the SPE and has sufficient discretion in exercising that authority to affect the revenues, expenses, gains and losses of the SPE in a manner that benefits the enterprise to a significant extent."
7. Provision of liquidity facilities and program credit enhancements are now customary in the market. These are very rarely drawn upon and required by rating agencies primarily to cover CP market disruptions or to provide additional protection to CP holders required to achieve the high rating on such CP. Consequently, neither liquidity facilities nor

program credit enhancement facilities recombine risks that have previously been dispersed nor are they first loss positions in a particular transaction. We request that paragraph 23.b should be amended suitably to reflect this.

8. We consider that the presumption that a fee from an SPE is not market based, as stated in paragraph 19, is inappropriate in the highly competitive multi-seller SPE market and in the CDO market. We believe that there should be a presumption that a fee is market-based whenever there is demonstrable bargaining between entities to establish the fees. Further, the required comparisons may not be available in some circumstances due to various reasons including anti-trust issues.
9. In instances where assets are accounted for as available-for-sale investments under SFAS 115, losses that were determined to be other than temporary would be reflected in earnings. When we consolidate the SPE for the first time, this is done at fair value and hence the assets and liabilities would be consolidated at that amount (which would be reflected in the enterprises statements as well). However, going forward, the enterprises books would reflect the investment at fair value while the SPE's books will be at carrying value. Thus there will be issues on consolidation. How is the resulting difference accounted for?
10. Paragraph 15.c refers to "de facto agency" relationship which is a new concept. Consequently, would interests held by investment bankers, attorneys and other parties that provide significant amounts of professional services to an enterprise would be deemed as the enterprise's in determining who is the primary beneficiary?
11. Paragraph 21 states that if two enterprises have variable interests in the same SPE of similar size and neither variable interest is subordinate to the other, the specific risk to which a variable interest is subject shall be considered. We believe that it is difficult to determine under this "tie breaker" concept as the difference between the two interests may not be significant. In these instances, we believe that it should be concluded that there is no primary beneficiary.
12. Under multi-seller SPEs, we believe that only the transferors should consider whether they are the primary beneficiary for their respective "silos." The administrators should not be considering the SPE as a whole to determine if they are the primary beneficiary for the SPE.
13. All existing QSPEs should be grandfathered. Existing benefits from securitizations should not be threatened by changes in the accounting for SPEs. With regard to existing QSPEs, the requirements should be restricted to disclosures.