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2 March 2007

LETTER OF COMMENT NO. 34

Ms. Suzanne Q. Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116
director@fasb.org

Re: File Reference No. 1510-100
Exposure Draft on the Proposed Statement of Financial Accounting Standards
"Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133"

Dear Ms. Bielstein:

Credit Suisse Group ("CSG") appreciates the opportunity to express its views on the Financial Accounting Standard Board's ("FASB") Exposure Draft on the Proposed Statement of Financial Accounting Standards: *"Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133"* (the "Document") as posted to the FASB's website. CSG's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"). A number of our subsidiaries are required to apply International Financial Reporting Standards ("IFRS") to their stand-alone financial statements. In the context of the general goal of convergence of the US GAAP and IFRS conceptual frameworks, the FASB's deliberations regarding the above referenced subject are important to us.

As a financial institution that markets and utilizes financial instruments, including derivatives, in high volume, we understand the need of financial statement users to have more transparency regarding the impact of financial instruments on the financial viability of a company. We are very much in support of the FASB's long-term project on financial instrument reporting. However, we have serious concerns about the approach by which the board is fulfilling this objective. Namely, we disagree with the scope of this Document to only incorporate derivatives, as this fails to consider the risks of these products in their appropriate context with other financial instruments.

Additionally, certain FASB board members have expressed concern over the numerous financial instrument disclosures that exist without regard for one another. This Document exacerbates this problem. We recognize that users have extensive information

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needs, but not all of those needs can be satisfied in a cost effective manner. As noted in Concept Statement 2, "The optimal information for one user will not be optimal for another. Consequently, the FASB, which must try to cater to many different users while considering the burdens placed on those who have to provide information, constantly treads a fine line between requiring disclosure of too much or too little information." We feel this Document is a prime example of requiring too much information without a corresponding increase of benefit.

We understand that the FASB may feel compelled to provide an interim solution to increase disclosures for derivatives. As such, we have further comments regarding the detail of the proposed guidance, including responses to the specific questions that the FASB has raised.

Presentation and classification
We agree with the FASB that presentation and disclosure should not be addressed in the scope of the proposed standard, but rather in the FASB's project on financial statement presentation.

Disclosure by risk, accounting designation, and purpose
As initially noted, we do not agree that this information is meaningful in isolation of other financial instruments. Though the FASB has noted that disclosure of risk is not their intent, the financial statement impacts of derivatives do not exist in isolation of other financial instruments. For instance, disclosing an earnings impact of $ 3 billion in interest rate risk on derivatives without the corresponding (and off-setting) earnings impact of $ 3.1 billion from cash products that contain interest rate risk does not appear to provide useful information. As such, we believe the FASB should undertake a project to align the disclosure requirements with IFRS 7, which takes a more holistic view of the market risks by including all financial instruments.

Alternatively, we understand that this information may be useful for the contained populations of FAS 133 hedging relationships. By requiring disclosure of the hedged item and the hedging derivative, a more complete picture results. However, if it is the FASB's intention to materially change the current application of FAS 133 hedge accounting, we suggest that addition of these disclosures be delayed until it is clearer whether disclosure of FAS 133 hedging relationships will be relevant in the future.

We would also suggest that the risk categories be limited to interest rate, credit, equity, and currency risk where one of those risks is identified as the primary risk for an instrument. We believe this provides useful information without overwhelming the users. All derivatives contain some form of interest rate risk due to time value and credit risk due to the counterparties with which they transact. To try and capture all permutations of risk would create incomprehensible disclosure without added benefit. We also believe that designing the disclosures in this way is consistent with the guidance in IFRS 7.

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Contingent features in derivatives
We recognize that it may be useful to a user to understand the cash flow implications of contractual triggering events related to changes in credit ratings. For instance, additional collateral may need to be posted for contracts if there is a downgrade. Organizations typically track this information in order to manage liquidity needs. Therefore, we agree such a disclosure would be useful to the user if management deems it necessary to monitor. However, the wording in the Document is too vague and therefore too encompassing, as it appears that the disclosure is only intended to identify liquidity issues for the company. Contingent features exist in nearly all derivatives; any form of optionality could be considered a contingent feature unrelated to credit risk. In the basis for conclusions and examples provided, one can infer the FASB intended on restricting this to contingencies that are related to the creditworthiness of the preparer, but this should be made more apparent.

In addition, the scope as described seems vague and broad even for credit contingencies. Credit contingencies generally fall into three types: those that require additional cash outlay for other than the full value of the derivative, those that require cash settlement for the fair value of the obligation, and those that are subject to penalty payments. Those that require additional cash outlay for other than the full fair value of the derivative would include collateral call requirements upon different triggers. As noted, we agree that providing disclosure on these items is useful. For credit contingencies that require cash settlement for the fair value of the obligation, we do not believe that disclosure of these items is necessary, as this is equal to the balance sheet amount that is already disclosed. Generally, we would expect that contingent credit clauses that result in a penalty payment would be remote from occurring, and thus excluded from the disclosure requirement. If not considered to be remote, we believe that this should be captured in the fair value of the derivative and thus rendering a separate disclosure redundant.

Disclosure of notional amounts
We do not believe that the disclosure of notional amounts provides useful information to users. We recognize that it is a relatively easy measure of volume by which to compare companies – a company with $1 trillion of notionals obviously utilizes derivatives to a greater degree than a company that has $1 million of notionals. However, this information has little other benefit. Simply the form of a transaction can multiply this measure where no additional risk exists. For instance, the notional of a 20-year cross-currency swap may be $100 million. If that same swap were represented as 20 separate one year forward agreements, the total notional would be $2 billion.

This information may be more useful for hedging relationships to indicate the volume of FAS 133 hedging relationships that are executed. However, we suggest that the notional of the hedge item be disclosed, as this is more indicative of the risk being hedged than the notional of the derivatives being utilized. Using the same example above, if a company

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were hedging the net investment of a subsidiary with a series of forwards rather than a swap, as noted above the notional would be inflated as compared to the risk being hedged.

Disclosure of economic hedges
We agree that "economic hedges" should not be defined and separately disclosed. The scope of such transactions is quite broad reaching and the attempt to put a definition around such transactions is unrealistic. The strict documentation requirement for FAS 133 hedging relationships facilitates the isolation of this population and the accounting impacts of these relationships. On the other hand, economic hedges include those that result in income statement volatility due to the lack of applying FAS 133 hedge accounting as well as those that do not result in income statement volatility due to the application of required or optional fair value accounting treatment.

Leverage factors
We disagree with the suggested disclosure of the impact of leverage features. The definition of leverage features is vague and is not monitored by management in isolation. The objective would be better met if the requirement were to disclose effective notional, rather than stated notional.

Disclosure of gains and losses
Overall, we are concerned with the direction of the FASB with respect to the additional income statement disclosure by balance sheet line item, as required by FAS 159 and the Document. Historically, there has not been this required link between the balance sheet and the income statement. We believe significant investment will be required in system infrastructure and the financial statement reporting process, which currently do not track or reconcile this information in the manner requested. Given the fundamental nature of this information, the ramifications of making such a change are substantial.

We reiterate our previous point that additional disclosure requirements not be issued in a piecemeal fashion, as is the case with this Document, but rather be considered on a more comprehensive level. This will serve to reduce the burden of preparers to continually make system enhancements and help users navigate the financial statements.

Disclosure of gains and losses on hedged items
We understand some users would prefer to eliminate the effects of hedge accounting and have an accrual accounting view of the financial statements. For this reason, we understand the need to have information on the gains and losses that have impacted the income statement in order to affect this adjustment. In addition, the inclusion of the earnings on the hedged item provides the complete picture we are concerned does not exist on derivatives not in FAS 133 hedging relationships, where the impact on non-derivative financial instruments is not included. We would also like to reiterate our

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concern that if the future of hedge accounting is uncertain, the addition of disclosures at this time should be reconsidered.

Disclosure of inter-period gains and losses
The Document requires the disclosure of gains and losses on all derivative instruments that existed during the reporting period regardless of whether those derivatives exist at the end of the reporting period. We agree that this information is useful if earnings of derivatives are to be reported, as it provides a complete picture of the impact derivatives had on earnings. Conversely, we disagree that a separate disclosure of the earnings related to those positions held at the balance sheet date is useful. The fair value on the balance sheet represents the unrealized value of the transaction. Additional disclosure of the earnings related to just those items during the period is extraneous and lacks relevance. Unlike in FAS 157 and FAS 159 where there are concerns about the quality of earnings thus deeming those disclosures relevant in that context, this is not the case with derivatives as a whole.

Transition
We believe that the FASB's proposed timing on this standard is too ambitious and unrealistic. As proposed, the Document requires disclosure of earnings information from the beginning of the current reporting period, effectively requiring the immediate consideration of the implications of adoption. Major system enhancements and, in some circumstances, system reengineering will be necessary to calculate and provide the income statement data requested. Until a final standard is issued, such system changes will not be initiated. The implementation date should be postponed for at least one year.

Convergence with International Accounting Standards
As discussed throughout this letter, there are opportunities to converge with IFRS 7. We suggest that the FASB make a greater attempt to align the disclosure requirements in US GAAP with those required under IFRS 7 for all financial instruments. As described above, we believe there are numerous incidents where this has not been done but would otherwise provide more useful disclosure.

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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 on 212-538-5984 or Todd Runyan on +41 44 334 8063.

Sincerely,

Rudolf Bless	Eric Smith
Managing Director	Managing Director
Chief Accounting Officer	Accounting Policy and Assurance