



LETTER OF COMMENT NO.

CREDIT SUISSE GROUP
Paradeplatz 8
PO Box 1
8070 Zurich
Switzerland

February 13, 2009

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

Sent via email to <u>director@fasb.org</u>

File Reference: Proposed Issue C22

Dear Mr. Golden:

Credit Suisse Group ("CSG") appreciates the opportunity to express our views on the Financial Accounting Standards Board's ("FASB") proposed SFAS 133, Accounting for Derivative Instruments and Hedging Activities, ("Statement 133") Implementation Issue C22 Scope Exceptions: Exception Related to Embedded Credit Derivatives ("Proposed Issue"). 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 effort that the FASB has made to clarify when embedded credit derivatives, including those in collateralised debt obligations ("CDOs") and synthetic CDOs, are not considered embedded derivatives subject to potential bifurcation and separate accounting. However, in general, we do not support the issuance of the Proposed Issue from a conceptual standpoint. Furthermore, the objective of the changes are not clear to us and we therefore believe that the Proposed Issue will not achieve the FASB's stated objective to 'resolve potential ambiguity about the breadth of the embedded credit derivative scope exception' within Statement 133.

We believe that the first sentence of paragraph 14B of Statement 133 provides guidance on whether a fully-funded, single-tranche Credit Linked Note has a different bifurcation answer depending on whether the entity a) holds bonds issued by reference entity X or b) holds collateral such as U.S. Treasury obligations and sells a credit default swap on reference entity X. Therefore, we disagree with the proposal to eliminate the sentence. We do not believe that this sentence creates diversity in practice and it is unclear what the FASB's intention is in removing it. We believe that the proposed changes would be an amendment of Statement 133 rather than an Implementation Issue, given it is a removal of text rather than an interpretation thereon. As such, the deletion should be subject to the due process of an accounting standard amendment.



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CSG supports convergence with International Financial Reporting Standards ("IFRS"). If it is the FASB's intention to align the two GAAPs with the proposed issue, this intention is not clear. At this point in time, with the existence of the SEC's "Roadmap for the Potential Use of Financial Statements Prepared in Accordance with IFRS by U.S. Issuers" as well as the "Memorandum of Understanding" between the FASB and the International Accounting Standards Board, we strongly believe the FASB should clarify, on any proposed change to US GAAP, the impact of the change with respect to convergence to IFRS. Due to the lack of clarity in the Proposed Issue, it is uncertain if it moves US GAAP closer to or further from IFRS. The need to clarify the impact on convergence is essential to a transparent and robust standard setting process.

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 on 212-538-5984, Todd Runyan on +41 44 334 80 63 or Allison Bunton on +41 44 333 43 84.

Sincerely,

Rudolf Bless

Managing Director, Chief Accounting Officer

Meser Buster

Allison Bunton

Vice President, Accounting Policy and Assurance