

15 August 2008

Mr. Russell G. Golden
Director of Technical Applications and Implementation Activities
Financial Accounting Standards Board
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LETTER OF COMMENT NO. 106

File Reference: File Reference Number 1590-100, Proposed Statement of Financial Accounting Standards, *Accounting for Hedging Activities, an amendment of FASB Statement No. 133*

Dear Mr. Golden:

Credit Suisse Group (“Credit Suisse”) welcomes the opportunity to share our views on the Financial Accounting Standards Board’s (“FASB”) Proposed Statement of Financial Accounting Standards, *Accounting for Hedging Activities, an amendment of FASB Statement No. 133* (the “Exposure Draft”). Credit Suisse 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”).

Credit Suisse supports the FASB’s efforts to simplify practice issues which have arisen under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* (“SFAS 133”). We find the proposals within the Exposure Draft with regards to hedge effectiveness testing a start at improving current guidance. However, in general, we do not support the Exposure Draft from a conceptual standpoint. We believe that it creates rather than reduces complexity thereby resulting in interpretive and operational challenges without providing sufficient benefit. We would also challenge the need for new guidance when the platform provided by the current SFAS 133, although not always stable, is widely understood and currently applied consistently. After 10 years of pronouncements, interpretations and assessments we seem to have reached a stable platform with no Securities and Exchange Commission (“SEC”) pronouncements or significant FASB revisions in the last year and a half. We believe a possible outcome of this Exposure Draft would be a return to many of these discussions or, at worse, result in a repetition of the past period of instability with potential restatements. We also see the

risk of the SEC filling in guidance where the Exposure Draft is more open and judgmental, particularly on topics they have focused on in the past, like effectiveness testing.

Credit Suisse believes the removal of the dedesignation mechanism and the elimination of the ability to hedge individual risks removes the necessary flexibility to manage risk in changing market environments and would create unnecessary income statement volatility. This proposed change to SFAS 133 invariably results in a measurement model for financial instruments designated in a hedge that is full fair value while in terms of an overall valuation of financial instruments, we support a mixed measurement model.

Credit Suisse supports convergence with IFRS and we believe this Exposure Draft is not a useful step towards convergence as it results in a significant divergence in practice. We do not believe that such a significant change to SFAS 133 is justified given the broad public support in the United States for a move towards a single set of global accounting standards that is consistent with IFRS in the near term. It is our understanding that hedging and financial instrument issues are currently being addressed in a joint project of the IASB and the FASB - "Reducing Complexity in Reporting Financial Instruments" and believe this Exposure Draft runs counter to that project. We believe the issues raised in the Exposure Draft should be addressed by that project.

The attached Appendix includes our reasons for not supporting this Exposure Draft and our responses to certain aspects of it. 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
Managing Director
Chief Accounting Officer

Allison Bunton
Vice- President
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Appendix

Hedged Risk

Issue 1: Removal of the ability to designate individual risks as the hedged risk in a fair value or cash flow hedge.

Do you believe that the proposed Statement would improve or impair the usefulness of financial statements by eliminating the ability of an entity to designate individual risks and requiring the reporting of the risks inherent in the hedged item or transaction?

Credit Suisse does not support the FASB's proposal to remove the ability to designate individual risks as the hedged risk in a fair value or cash flow hedge.

We believe the Exposure Draft would reduce the use of prudent risk management practices as well as the flexibility to respond to market conditions that arise throughout the life of a financial instrument. The use of the proposed fair value model results in more volatility through the income statement when this is clearly not the risk management objective in many situations.

The Exposure Draft requires, in the case of a late hedge on own issued debt, a fair value measurement of the entire hedged item in a hedge relationship, and as a result puts undue strain on many companies who will have to factor in their own non performance risk. Furthermore hedging own credit risk is often not possible and, if possible, economically unviable. Therefore, we believe that any proposal must retain the ability to hedge specific risks at any time during the life of a financial instrument.

Determining the fair value of the entire hedged item can be either not practical or provide unreliable information. For example, Credit Suisse has significant mortgage portfolios in the Swiss market which are accounted for on an accrual basis. The credit spread on a mortgage within the Swiss market is intermingled with various other elements that determine the price and it is therefore, in many cases, very cumbersome to determine. This would result in significant additional operational work as well providing potentially less reliable information when the intention is simply to swap the interest on the portfolio from fixed rate to floating rate.

We believe fair value measurement is the most effective accounting for instruments that are held in a trading position; that are intended for sale in the near to middle term; for which hedge accounting is not easily applied; or that can be fair valued without undue cost and effort. There are certain instruments that we plan to hold for the longer term. Fair valuing these long-term instruments as proposed in the Exposure Draft would lead to

unrealized gains and losses in the income statement which management has no intention of realizing.

Issue 2: An entity may designate interest rate risk related to its own issued debt, if hedged at inception, and foreign currency exchange risk as individual risks in a fair value or cash flow hedge.

Do you believe the Board should continue to permit an entity to designate those individual risks as a hedged risk?

Credit Suisse believes that the bifurcation by risk model should be retained for all hedged items currently eligible under SFAS 133 and there should not be any limit on the ability to hedge individual risk at any point in the life of an instrument.

We believe the flexibility to enter into hedging relationships after inception is fundamental to the risk management processes and financing realities of many entities. Many companies rely on the swap market to reduce interest cost during times when short term rates are very low. In that type of market they have limited access to short term financing. This can be clearly illustrated in the current environment where banks have limited capital to lend on a short term basis, and the bond market has no appetite for short dated issuances. In these markets, companies issue securities with maturities that offer them the best pricing. They then retain the flexibility to swap any of their other shorter dated maturities to floating to achieve the economic and risk objectives that best suit their outlook and business profile. Removing this flexibility would result in the accounting treatment leading business decisions and activities rather than acting as a transparent reflection of them.

Hedge Effectiveness

Issue 3 - Question 1: Do you foresee any significant operational concerns or constraints in calculating ineffectiveness for fair value hedging relationships and cash flow hedging relationships?

We believe there is a contradiction within the Exposure Draft on effectiveness testing making it operationally challenging. The Exposure Draft notes that at the inception of the hedge relationship an entity must ensure the hedge will be reasonably effective. After inception of the hedging relationship, an entity only needs to reassess effectiveness if circumstances suggest that the hedging relationship may no longer be reasonably effective. The requirement to separately calculate, record, and disclose ineffectiveness of the hedge relationship is contradictory to the qualitative assessment concept. (See Issue 4 – Question 1 below).

Issue 3 – Question 2: Do you believe that the proposed Statement would improve or impair the usefulness of financial statements by eliminating the shortcut method and critical terms matching, which would eliminate the ability of an entity to assume a hedging relationship is highly effective and to recognize no ineffectiveness in earnings?

The Exposure Draft contemplates the removal of the short cut method. Although it replaces it with a less strict approach, we believe quantitative testing will still be required. (See Issue 4 – Question 1 below). As a result, the Exposure Draft will force many companies who have used the short cut method to perform long haul effectiveness testing. We believe that the short cut method provides a valuable economic benefit to many companies who have simple, straight-forward hedging relationships and rely upon the method for its simplicity. Removing the use of the short cut method would cause undue economic hardship for many companies. The short cut method provides clear, unambiguous guidelines to follow. This will be lost and introduce subjectivity as to what constitutes an appropriate effectiveness test in situations where the short cut method was use.

Issue 4- Question 1: Do you believe that modifying the effectiveness threshold from highly effective to reasonably effective is appropriate? Why or why not?

CS believes that modifying the effectiveness threshold from highly effective to reasonably effective is appropriate. We however feel that effectiveness will now be more difficult to obtain due to the elimination of the ability to hedge specific risks. Although the new approach does not require regular quantitative testing, we believe it will be required by auditors. Additionally, we fear that the term “reasonable effective” will be debated and ultimately thresholds will emerge which could lead to restatements.

Issue 4 – Question 2: For situations in which interest rate risk is currently designated as the hedged risk for financial instruments but would no longer be permitted under this proposed Statement (except for an entity’s own issued debt at inception), do you believe you would continue to qualify for hedge accounting utilizing your current hedging strategy?

We believe that many of our current interest rate risk hedges will fail hedge accounting under the new guidance due to the credit spread on the underlying hedged item or, at the very least, increase the amount being reported as ineffectiveness in these hedges.

Issue 4 - Question 3: If not, would you (a) modify your hedging strategy to incorporate other derivative instruments, (b) stop applying hedge accounting, (c) elect the fair value option for those financial instruments, or (d) adopt some other strategy for managing risk?

We would likely adopt the fair value option on some financial instruments but we would also be forced to stop applying hedge accounting in other situations. We do not believe we will modify our current hedging strategy by incorporating other derivative instruments as doing so would negatively impact the profitability of the underlying transaction. Also, we question the feasibility and cost of being able to procure the derivatives to cover additional risks, such as counterparty and own credit risk.

In many cases, we believe we may not be able to apply hedge accounting. If the hedge item is a loan asset, we would have to factor in counterparty credit risk. If changes in credit risk rather than interest risk were expected to drive the changes in the value of the loan asset, it would be unlikely that changes in the fair value of an interest rate swap would be reasonably effective in offsetting changes in the loan's fair value.

Issue 5 - Question 1: Do you foresee any significant operational concerns in creating processes that will determine when circumstances suggest that a hedging relationship may no longer be reasonably effective without requiring reassessment of the hedge effectiveness each reporting period?

Credit Suisse does not foresee any significant operational concerns in creating processes that will determine when circumstances suggest that a hedging relationship may no longer be reasonably effective.

Issue 5 - Question 2: Do you believe that requiring an effectiveness evaluation after inception only if circumstances suggest that the hedging relationship may no longer be reasonably effective would result in a reduction in the number of times hedging relationships would be discontinued? If so, why?

We believe that for risk management processes and to appease the expectations of auditors, regular testing will be required under the current Exposure Draft. See also our response to Issue 3- Question 1 above.

Issue 6 – Question 1: Do you agree with the Board's decision to continue to require that hedge accounting be discontinued if a hedge becomes ineffective?

Please see our response to Issue 3 – Question 1.

Issue 6 – Question 2: Alternatively, should an effectiveness evaluation not be required under any circumstances after inception of a hedging relationship if it was determined at inception that the hedging relationship was expected to be reasonably effective over the expected hedge term?

See our response to Issue 3 – Question 1 above.

Presentation of Hedging Gains and Losses

Issue 7: Do you believe that Statement 133 should be amended to prescribe the presentation of these amounts? For example, the Statement could require that the effective portion of derivatives hedging the interest rate risk in issued debt be classified within interest expense and that the ineffective portion and any amounts excluded from the evaluation of effectiveness be presented within other income or loss.

CS believes that the disclosure requirements set forth in SFAS 161 *Disclosures about Derivative Instruments and Hedging Activities* (“SFAS 161”) provide sufficient information regarding the location of gains and losses recognized on derivatives and related hedged items in the financial statements. Therefore, we do not support the issuance of further guidance regarding the presentation of gains and losses on derivative instruments. Credit Suisse also believes that many of the issues that financial statement users presently have regarding hedge accounting will be resolved and their understanding increased by the disclosure requirements of SFAS 161. We believe that the FASB should await the response to the new disclosures before issuing new hedge accounting guidance.

Effective Date and Transition

Issue 8: Do you believe that the proposed effective date would provide enough time for entities to adopt the proposed Statement? Why or why not?

Given the significance and complexity of the changes proposed in the Exposure Draft, the proposed effective date of fiscal years beginning after June 15, 2009 will not provide a sufficient amount of time to implement a standard of this magnitude.

If the FASB decides to move forward with the issuance of the Exposure Draft, we urge the FASB to consider extending the effective date of the Exposure Draft for one year.

Additionally we find the guidance in paragraph 33 of the Exposure Draft conflicts with paragraph 32. Paragraph 33 notes that any adjustments to the statement of financial position on the date of initial application for fair value hedges is not required. However, paragraph 32 requires dedesignation of all hedge relationships (with one exception).

Presumably the dedesignation will result in adjustments to the statement of financial position for the full fair value of the hedged item under a fair value hedge. It is not clear what the FASB intended in paragraph 33.

Issue 9: Do you believe that there are specific disclosures that should be required during transition? If so, what? Please be specific as to how any suggested disclosures would be used.

We are unsure whether the disclosures on transition similar to those of FAS 159 would also be applicable here. For instances, we would assume that a disclosure related to the movements through retained earnings at transition would be very useful information. However, it is unclear whether this requirement exists in the Exposure Draft.

Secondly, we do not feel the requirement under paragraph 28 of the Exposure Draft to show the cumulative fair value adjustments on hedge relationships to be necessary and would suggest that the year-to-date change is sufficient and consistent with the requirements of SFAS 161.

Issue 10: Do you agree with the Board's decision to allow a one-time fair value option at the initial adoption of this proposed Statement? Do you agree with the Board's decision to limit the option to assets and liabilities that are currently designated as hedged items under Statement 133?

Credit Suisse agrees with the Board's decision to allow a one-time Fair Value Option at the initial adoption of the proposed Statement. However, we believe that the option to remove the fair value option should also be possible. Within Credit Suisse, the fair value option was often applied in cases where hedge accounting did not always result in a highly effective hedge and the operational burden of ineffectiveness testing, dedesignation and redesignation was not cost beneficial. Under the Exposure Draft, the threshold has been reduced to reasonable effectiveness and we may prefer to apply hedge accounting to those items, which is currently not possible under the Exposure Draft.

Benefit-Cost Considerations

Issue 11: Do you believe the Board identified the appropriate benefits and costs related to this proposed Statement? If not, what additional benefits or costs should the Board consider?

We believe the benefits of the Exposure Draft are limited compared with the costs of adjusting the methodology around hedge accounting. We feel that the Exposure Draft creates additional complexity as noted above and will change the overall risk

management process under a full fair value approach. It will take a considerable effort to understand the full practical impacts of the new guidance. Furthermore, the time and effort to consider the risk management aspects and operational impact will be significant. We do not believe that the benefits justify the cost in terms of time and expense.

Other items

Dedesignation

The Exposure Draft does not allow the dedesignation of hedges unless the criterion in SFAS 133 para 20 and 21 and para 30 and 31 (fair value and cash flow hedging, respectively) are no longer met or the hedging instrument expires, is sold, terminated or exercised. The alternative is to enter into an offsetting derivative instrument which is expect to offset future changes in the cash flows of the original derivative. The original and offsetting derivative cannot later be designated in a new hedge relationship. We disagree with this approach as it creates an economic cost by requiring an entity to enter into offsetting derivative(s) or to close out a position in order to cease hedge accounting.

Currently, Credit Suisse and other firms use hedge accounting to cover particular periods of uncertainty. After the period in which the occurrence of the expected event takes place, hedges might be dedesignated. The Exposure Draft would remove this flexibility. We believe that this is not consistent with how we and many other companies manage risk. In certain situations or market environments, the desire to fully fair value a hedged item does match a company's risk management strategy.

The Exposure Draft creates an operational issue if an entity enters into a long-term offsetting instrument. For example, we issue a long-term borrowing and then enter into an interest rate swap. After one year we determine that the hedge is no longer economically useful, enter into an offsetting swap, and dedesignate the hedge. However, it is not clear to us if the two derivatives are still ineligible from being designated in a new hedge relationship. If they are not we do not understand the reasoning behind this and believe the FASB should explain. Additionally, we see this providing an operational issue for many companies in that an entity will have to be able to monitor the derivative throughout its entire life to ensure it is not entered into a another relationship. This would be operationally straight forward for a hedging instrument with a short life, but more difficult with an instrument with a long life, such as 30 years. Furthermore, there is limited guidance on dedesignation when the hedging instrument is not a derivative instrument and we believe this should be addressed if the FASB moves ahead with the Exposure Draft.