



September 3, 2010

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

Re: File Reference No. 1830-100

Dear Mr. Golden:

Capital One Financial Corporation (“Capital One” or the “Company”) is a diversified financial services company with over \$197 billion in assets that offers a broad spectrum of banking products and financial services to consumers, small businesses, and commercial clients. We appreciate the opportunity to provide comments on the Proposed Accounting Standards Update, Fair Value Measurements and Disclosures (Topic 820), *Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* (the “Proposed Update”), recently issued by the Financial Accounting Standards Board (the “FASB”).

Capital One agrees with the objective of the FASB and the International Accounting Standards Board (collectively the “Boards”) to develop common fair value measurement and disclosure requirements in U.S. GAAP and IFRS and recognizes the challenges the Boards face in developing high quality internationally converged standards. We generally agree with the principles in the Proposed Update; however, we have three primary concerns.

- First, we are concerned with the timing of the Proposed Update. Under another FASB Proposed Standards Update, Financial Instruments (Topic 825) and Derivatives and Hedging (Topic 815), *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* (the “FI ED”), there is a requirement to measure most financial instruments at fair value. Given the proposal in the FI ED to significantly expand the use of fair value (which we believe would result in a significant increase to the number of Level 3 measures), respondents will be unable to thoughtfully consider the impact of the Proposed Update to financial instruments that are not required to be measured at fair value under existing guidance but may be measured at fair value under the proposed guidance.
- Second, we are concerned about the practicability of some aspects of the proposed measurement uncertainty analysis.
- Third, we believe additional consideration must be given to the applicability of the highest and best use concept and the in-use valuation premise to financial assets.

We recommend that the FASB postpone this Proposed Update until after the FI ED is finalized and specific practice concerns are addressed.

#### *Measurement Uncertainty Analysis*

We are concerned about the practicability of the measurement uncertainty analysis on fair value measurements obtained from third party pricing services. Many entities, including Capital One, engage third party pricing services when measuring the fair value of certain financial instruments.

Third party pricing services have historically been resistant to disclosing certain proprietary assumptions and modeling methodologies to clients. Financial statement preparers may have difficulty obtaining all modeling methodologies and assumptions that could have reasonably resulted in a significantly higher or lower fair value measurement from third party pricing services. Alternatively, third party pricing services could perform the measurement uncertainty analysis and provide this information to clients; however, the existing third party pricing services may not have the capacity to provide additional information to clients in a timely manner.

In certain situations in which there is a reasonable range of values, the fair value measurement of an item may be derived from multiple sources. In these instances, performing the measurement uncertainty analysis would be very complex, difficult to do, and may not provide meaningful information about the true sensitivity of the underlying assumptions. We also believe it would not be practicable to determine the reasonably possible alternative inputs individually.

The uncertainty analysis for measurements in which third party pricing services are utilized will likely be operationally challenging and will require changes to the pricing services industry or will require reporting entities to establish or enhance infrastructure, technology, and resources.

We theoretically agree with the principles of the Proposed Update but believe that there are significant practicability concerns that must be addressed, and we encourage the FASB to hold roundtable discussions with preparers of financial statements and third party pricing services. Additionally, we believe that the FASB should carefully consider whether the benefit of the measurement uncertainty analysis will outweigh the cost to reporting entities.

*Highest and Best Use Concept and In-Use Valuation Premise*

Under current FASB guidance, the highest and best use of an asset is “in-use” if the asset would provide maximum value to market participants primarily through its use in combination with other assets and liabilities (an asset group). The FASB has decided that the “in-use” premise is only relevant for the measurement of nonfinancial assets. We believe situations could exist in which it would be appropriate to use the “in-use” premise for financial assets. For example, the highest and best use of acquired loans may be in-use as the combination of the loans with a desirable core deposit base would allow a market participant in a strategic bank acquisition market to hold the loans for investment using the deposit base as a low-cost source of funding. In this situation, a strategic buyer would maximize the value from the loans by holding them for investment. We believe other similar situations could exist. Therefore, we recommend that the “in-use” valuation premise be retained for financial assets.

If you have any questions about our comments, please contact Pam Koch at (804) 284-0152.

Sincerely,



Susan McFarland  
Executive Vice President and Controller