

CREDIT SUISSE GROUP
Paradeplatz 8
PO Box 1
8070 Zurich
Switzerland

22 October 2010
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116
United States
director@fasb.org

Re: File Reference No. 1820-100: Proposed Accounting Standards Update, Revenue Recognition (Topic 605) *Revenue from Contracts with Customers*

Dear Madam or Sir:

Credit Suisse Group ("CSG") welcomes the opportunity to comment on the FASB and IASB (or "the Boards") proposed Accounting Standards Update Revenue Recognition (Topic 605) *Revenue from Contracts with Customers* (the "Exposure Draft", or "ED"). 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. As a global financial institution CSG enters into thousands of contracts – many of which are impacted by the Exposure Draft.

CSG continues to support the Boards' efforts to converge significant areas of accounting standard setting and believe this Exposure Draft is a step in the right direction. We also support the Boards' efforts to create a comprehensive and broadly applicable accounting standard for revenue recognition and believes that certain aspects of the Exposure Draft are improvements that would benefit users of financial statements. Other aspects do not, in our view, represent improvements. Our significant comments on the Exposure Draft are explained more fully below in the following areas:

- 1. Variable Consideration in Transaction Price
- 2. Consideration of Customer Credit Risk When Measuring Revenue
- 3. Transition
- 4. Disclosure

Variable Consideration in Transaction Price – Use of Probability-Weighted Estimates

We disagree with the guidance contained in paragraph 35 of the ED that a probability-weighted estimate of consideration would result in the most useful measure of the performance obligations in a contract. For example, for fund advisory services



performance fees are generally based on a specified formula where the fee is not fixed or determinable until the end of the measurement period (e.g., an entity receives 10% of the amount exceeding the return on the NYSE for the year). It is our view that these fees should be recognized when the consideration for the service performed is fixed or determinable. It would not be appropriate to recognize revenue based upon the probability of a factor being achieved given the uncertainty in the NYSE. In addition, we see little relevance in developing scenarios of possible outcomes in order to come up with a probability weighting. Not only would it require a significant amount of judgment by a preparer in order to determine whether a variable consideration component can be reasonably estimated but it would also, in our view, take a substantial amount of effort to track and change probability estimates to determine when it is appropriate to recognize revenue. In our asset management business, we believe significant resources would have to be devoted to track the differing probabilities of the variable consideration component of each performance based contract for each fund CS manages or provides advisory services on as this is not something that is in place today.

We understand that the Boards' have a view that probability-weighted amounts provide more useful information because it appropriately reflects the conditions that are present at each reporting date. However, in practice management does not forecast multiple scenarios and probability weight each one to determine expected future revenues. We ask that the Boards' recognize that probability weighted amounts are not useful in all performance based contracts. In our view, it is not appropriate to recognize revenue for performance-based contracts using predictions of future events. We therefore request that the Boards' eliminate this requirement and instead require that the variable consideration be based on determinable estimates.

Consideration of Customer Credit Risk When Measuring Revenue

Paragraph 43 of the ED requires incorporating an assessment of customer credit risk into the measurement of revenue and the related receivable. This differs from current guidance where collectibility of the fee on a contract must be reasonably assured in order to recognize revenue. The guidance in the ED seems to take the current guidance a step further and requires entities to recognize an impairment at the time of revenue recognition. We believe that the criterion in the SEC Staff Accounting Bulletin No. 104 "Revenue Recognition" stating that collectibility must be "reasonably assured" prior to recognizing revenue is the appropriate measurement. That is, a customer's credit risk should only impact whether the entity recognizes revenue upon satisfying a performance obligation. The collectability of a contract price is more appropriately used as a determinant as to whether revenue can be recognized and not of how much revenue should be recognized. For example, if a company has information that indicates the counterparty is not current in making payments on its obligations or is in a billing dispute with the service provider it is clear to us that no revenue should be recognized as there will be no economic benefit received from the arrangement. On the other hand, if the counterparty simply has a noninvestment grade credit rating we believe that an impairment should only be taken at the



asset level after the receivable has been outstanding for a period of time and not merely due to the counterparty's credit rating.

Simply stated, by not recognizing revenues for amounts contracted or billed but instead based on a company's internal estimates of their ability to collect would change the understanding of both the impairment and revenue recognition models for users of the financial statements. We see minimal benefit to a financial statement user to see reduced revenue numbers upon completion of a contract obligation and then to see gains in a subsequent period when the full amounts invoiced have been paid. In addition, paragraph 43 seems to require that once the invoiced amount becomes fully collectible that the resulting "gains" be recorded in other income and not revenue. We fail to see the benefit in changing the geography on the income statement for revenue that never became uncollectible.

We believe the current guidance on impairment of receivables is sufficient to address customer credit risk and that any effort to accelerate impairment recognition in this ED is inappropriate. Finally, any guidance requiring an adjustment to the amount of revenue recognized on each contract based on the credit worthiness of the counterparty would be overly burdensome to implement and could lead to diversity in practice.

Therefore, we recommend eliminating this guidance from the ED and instead, require that the analysis of a customer's credit risk continue to be accounted for under the current asset impairment model.

Disclosures

We believe that the objective of disclosure requirements should be to present revenues from contracts with customers in a way that helps users understand how those revenues relate to an entity's financial position.

However, we find certain of the disclosure requirements to be unnecessarily granular with little incremental benefit to a financial statement user over the current requirements found in IFRS and US GAAP. For example, paragraph 75 of the ED requires a reconciliation of contract balances for each period presented. We understand from paragraph BC176 that this requirement was included in the ED because users wanted a way to quantify the relationship between revenue recognized and cash flows. We believe this requirement is unnecessary since changes in cash flow information and our revenue recognition policies are clearly presented in our financial statements. In addition, for CS to comply with this disclosure requirement we will need to rework our existing financial reporting systems to ensure that they are capable of providing the detailed information necessary. Therefore, we see very little incremental benefit for a user (considering the costs and operational difficulties entailed) and request that the Boards delete the requirement in paragraphs 75 and 76.



Transition

We do not agree that the proposed guidance should be applied retrospectively. Retrospective application is operationally onerous and requires an entity to go back a full three years and search each contract to determine if revenue recognition is in line with this ED. It will require extensive review of existing contracts and becomes increasingly complex when considering individual long term contracts with customers such as those in certain of our asset management businesses.

In addition, estimates used in hindsight do not appear to provide relevant information for investors. One example is in the consideration of counterparty credit risk. How would an entity apply an estimate in hindsight on contracts with a company that has filed for bankruptcy at the time of the effective date of this new standard? Conversely, how would we estimate the creditworthiness of a non-investment grade counterparty that actually paid in full? At the very least this distorts a basic tenant of financial statement presentation that strives for comparability and consistency in reporting. It is our view that the use of estimates with the benefit of hindsight is difficult to apply in practice.

Therefore, we question whether the potential benefits to the users of our financial statements will outweigh the costs to a global financial institution such as ours where contracts can number in the thousands. We believe that the operational costs related to the review and related accounting adjustments to these contracts is not worth any potential benefit to investors who will be reviewing comparative financial statements.

We would welcome the opportunity to further discuss our comments in this letter. In the meantime, if you have any questions or would like any additional information on the comments we have provided herein, please do not hesitate to contact me at (212) 325-2097 or Todd Runyan in Zurich at +41 44 334 8063.

Sincerely,

Rudolf Bless Managing Director Deputy Chief Financial Officer Louis Fanzini Director Accounting Policy and Assurance

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Appendix Suggested Revisions to ED

- 35. An entity shall consider the terms of the contract and its customary business practice to determine the transaction price for the contract with the customer. The transaction price may reflects the probability weighted amount a determinable estimate of consideration that an entity expects to receive from the customer in exchange for transferring goods or services.
- 43. Collectibility refers to the customer's credit risk—the customer's ability to pay the amount of promised consideration. In determining the transaction price, an entity shall reduce the amount of promised consideration to reflect the customer's credit risk. If collectibility is not reasonably assured at the time the performance obligation is satisfied, revenue should not be recognized until collection becomes reasonably assured or occurs. Hence, when an entity satisfies a performance obligation, the entity shall recognize revenue at the probability weighted amount of consideration that the entity expects to receive. Once an entity has an unconditional right to consideration (that is, a receivable as described in paragraph 66), the effects of changes in the assessment of credit risk associated with that right to consideration shall be recognized as income or expense rather than as revenue.