September 7, 2010

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

Re: Proposed Accounting Standards Update, Fair Value Measurements and Disclosures (Topic 820), Amendments for Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs (File Reference No. 1830-100)

Dear Mr. Golden,

Bank of America Corporation (the “Company”) appreciates the opportunity to comment on the Proposed Accounting Standards Update, Fair Value Measurements and Disclosures (Topic 820), Amendments for Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs (the “Proposed Update”). The Company is one of the largest financial institutions in the world with assets of more than $2 trillion, and currently has over $700 billion of assets and over $200 billion of liabilities measured at fair value. We are therefore very focused on the Proposed Update.

We support the FASB’s (the “Board”) and the IASB’s efforts to establish common requirements for measuring fair value and for disclosing information about fair value measurements in order to improve the comparability and ultimately achieve convergence of accounting frameworks. However, there are aspects of the Proposed Update that we believe either will not provide decision-useful information or may require further consideration by the Board and the IASB.

Our most significant concerns are as follows:

- We are concerned that the guidance related to the prohibition of the use of blockage factors is unclear and could be subject to misinterpretation, in particular, relating to portfolio valuations. This could lead to fair value measurements being valued in a manner that does not reflect market participant assumptions.

- We believe that the proposed requirement to disclose fair value hierarchy information for assets and liabilities that are held at cost does not provide meaningful information as these instruments are not managed on a fair value basis. It is our view that the primary purpose of the hierarchy information is to provide insight into the level of subjectivity in the income reported for instruments held at fair value. As the fair value of these instruments is disclosed rather than reflected in earnings, this additional requirement provides very little additional insight into the financial position of the reporting entity. Therefore, in
our view, the cost associated with accumulating the additional information would outweigh any potential benefits.

- We believe that the requirement to provide a measurement uncertainty analysis that includes the effect of the correlation risk inherent in Level 3 measurements ("sensitivity analysis") is of limited use and operationally burdensome. While we agree with the objective of providing quality disclosures that enable users of financial statements to analyze a reporting entity's financial results, we note that the proposed disclosures are not utilized by the Company's management for purposes of evaluating financial performance and expected future cash flows. The proposed requirement to incorporate correlation risk in the analysis will introduce additional subjectivity to what is an imprecise estimate and may erode comparability in financial reporting.

We have provided more detailed comments in our response to certain specific questions in the attached appendix.

* * * * * * * * * *

We appreciate the opportunity to express our views in this letter. Should you have any questions, please feel free to contact Randall Shearer (980.388.8433) or me (980.387.4997).

Yours sincerely,

John M. James
Senior Vice President and Corporate Controller

cc Randall J. Shearer, Accounting Policy Executive
Appendix – Selected Questions

Question 2

The Board has decided to specify that the concepts of highest and best use and valuation premise are only to be applied when measuring the fair value of nonfinancial assets. Are there situations in which those concepts could be applied to financial assets or to liabilities? If so, please describe those situations.

We believe that financial instruments should not be excluded from the highest and best use valuation premise. We think that this premise has conceptual merit as it allows the valuation that a market participant would place on a financial instrument in its principal market to be appropriately reflected in its financial statements.

For example, consider an entity that originates a pool of homogenous loans with the intention to sell the loans into the securitization market. The valuation of these loans is typically based on the value of the resulting securities adjusted for costs to transform the loans to the security form—i.e., the securitization value. This would be considered an in-use value. In our opinion, using a fair value measurement that does not consider the securitization value (i.e., using the whole loan value) would be inappropriate because it would result in mortgage originators and dealers valuing their portfolios based on something other than their principal market.

Another example of an in-use valuation for financial instruments would be very large blocks of equities. These blocks are often sold at a “control premium” where an investor in the principal market for these positions will pay a premium in order to obtain a large voting block in a single transaction. We believe that it would be inappropriate to exclude the control premium when valuing the shares because the resulting value would not be based on all of the information that would be considered by a market participant in the principal market.

Question 5

a. The Board has decided to clarify the meaning of a blockage factor and to prohibit the use of a blockage factor when fair value is measured using a quoted price for an asset or a liability (or similar assets or liabilities). Do you think that proposal is appropriate? If not, why not?

We are concerned that the definition of a blockage factor is not clearly articulated within the Proposed Update and that this could lead to practitioners interpreting the Board’s intentions in a way that significantly changes current practice. For example, liquidity risk, which is typically measured as part of the bid-ask spread, is included in the fair value measurement, as it would be an assumption that a market participant would use in estimating the fair value of the portfolio. However, given that liquidity is adjusted on a
portfolio basis and in part depends on the size of portfolio, we are concerned that it could be interpreted as a blockage factor. We recommend that the FASB remove the last sentence in paragraph 820-10-35-36C of the Proposed Update and clarify that the prohibition on blockage factors does not apply to instruments valued on a portfolio basis.

**Question 7**

The Board has decided to require a reporting entity to disclose a measurement uncertainty analysis that takes into account the effect of correlation between unobservable inputs for recurring fair value measurements categorized within Level 3 of the fair value hierarchy unless another Topic specifies that such a disclosure is not required for a particular asset or liability (for example, the Board has decided in its project on the accounting for financial instruments that a measurement uncertainty analysis disclosure would not be required for investments in unquoted equity instruments). Do you think that proposal is appropriate? If not, why not?

**Question 8**

Are there alternative disclosures to the proposed measurement uncertainty analysis that you believe might provide users of financial statements with information about the measurement uncertainty inherent in fair value measurements categorized within Level 3 of the fair value hierarchy that the Board should consider instead? If so, please provide a description of those disclosures and the reasons why you think that information would be more useful and more cost-beneficial.

We previously commented in our response to Proposed Accounting Standards Update, Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements (File Reference No. 1710-100) that we questioned the usefulness of the proposed measurement uncertainty disclosure. By definition, valuations of Level 3 assets and liabilities incorporate estimation risk, and we believe that users are fully aware of and consider this uncertainty in their analyses and projections. Most companies make significant disclosures in the footnotes to the financial statements as well as in Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) which provide extensive detail for financial statement users to understand significant valuation methods as well as the breakdown of the fair value measurements of assets and liabilities. For example, in our June 30, 2010 Form 10-Q filed with the Securities and Exchange Commission, we provided 14 pages of quantitative and qualitative disclosures about fair value measurements in the footnotes and several additional pages in the MD&A. We believe that existing market risk disclosures provided are sufficient and actually more meaningful to financial statement users as they encompass entire portfolios and thereby include the benefit of diversification while also providing transparency to the relative size and magnitude of changes to fair value inputs.
In addition, the range of fair values reported for financial institutions with a significant number of positions is likely to be wide, making it difficult to draw any meaningful conclusions about the effect of such changes on a reporting entity’s financial results. For other currently required sensitivity disclosures, such as those required for mortgage servicing rights and retained interests, we have provided cautionary language in our financial statements to warn users that such information is hypothetical and cannot be heavily relied upon for a number of reasons. We would be required to provide similar cautionary language in order to comply with the Proposed Update.

For financial institutions with a substantial number of positions, providing sensitivity information for each class of instruments is operationally burdensome and costly considering the usefulness of such hypothetical data. We note that there appears to be a misconception that the information for the sensitivity analysis requested in the Proposed Update already exists in the format that can be incorporated into the financial statements. Although our management reporting, risk management policies and regulatory requirements require that assumptions are evaluated under varying economic circumstances, the internal reports produced do not directly take into consideration a position’s level in the fair value hierarchy. Therefore, existing information is not prepared in a way that could be leveraged to meet the proposed requirements, resulting in a significant investment in technology enhancements in order to comply with the Proposed Update.

Finally, the proposed requirement to quantitatively disclose the effect of correlation of unobservable inputs will lead to considerable additional management judgment being required, introduce even more subjectivity and provide questionable comparability of financial reporting between reporting companies. Correlation of Level 3 inputs is extremely subjective and in many Level 3 instruments correlation itself is a Level 3 input. Therefore, if the Board concludes that the uncertainty analysis should be required, we believe that the specific language around correlation should be removed.

In order to address these issues, we recommend that the Board and IASB reevaluate with users of financial statements the stated benefits of the disclosure and further evaluate those benefits in relation to the costs to preparers. We believe that a thorough investigation of whether and how the currently required sensitivity disclosures in IFRS are used for decision making should be part of the cost/benefit analysis and could provide insight into the necessity of the proposed disclosures. Until that investigation is complete, we encourage the Board and the IASB to remove this proposed requirement and instead allow preparers to disclose currently used quantitative and qualitative information that enables users to understand the uncertainty in the estimation process associated with Level 3 financial instruments.

**Question 12**

*How much time do you think constituents would need to prepare for and implement the amendments in the Proposed Update?*
As noted above, we believe that the implementation of the Proposed Update, particularly the disclosures of the Level 3 uncertainty analysis, will require significant modifications to systems and processes. We also believe that in setting the mandatory effective date, the Board and IASB should take into account the complexity of and cost of systems implementation requirements of other proposed updates including those related to financial instruments and leasing transactions.

Therefore, we believe that at least one year from the date the final standard is issued should be provided for mandatory application of the proposals.