April 5, 2011

Ms. Leslie Seidman
Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

File Reference No. 2011-50: Accounting for Financial Instruments and Revisions to the Accounting for Derivatives Instruments and Hedging Activities-Impairment

General Electric appreciates the opportunity to comment on the Supplement, Accounting for Financial Instruments and Revisions to the Accounting for Derivatives Instruments and Hedging Activities-Impairment. We broadly support the efforts of both Boards to develop a single converged standard on this important issue. However, we are concerned that preparers have not had sufficient time to respond to the Supplement with information and recommendations that would enable the Boards to move forward with a high quality standard for impairment of financial assets. In addition, the scope of the Supplement is limited to open portfolios and many significant issues related to impairment, such as measurement and discounting, have not yet been addressed. We do not think it is feasible to evaluate an impairment model fully without considering how it would be applied to all of the classes and instrument types within its scope. It is therefore imperative that the Boards follow a robust due process and field testing of the revised proposal, even if it is at the cost of having to revise the timetable for completion.

It is our view that the most appropriate and representationally faithful application of an expected loss model for recognition of impairment would be to recognize the expected loss for the foreseeable future, not to exceed the expected life of the loan portfolio. We believe that the foreseeable future time horizon should be consistent with the time frame over which we are confident that we can forecast key indicators such as probability of default. This would have the added benefit of normally being consistent with the time frames used in
the outlook for capital adequacy and for stress testing purposes. We would also recommend that the total allowance at any point in time be no less than the amount of incurred losses. Each class of instrument has loss exposure that is reasonably estimable at the outset based on historical experience, adjusted for current conditions and changes in circumstances. We believe that the transition to such an approach would provide an appropriate level of reserves that would resolve concerns that have been expressed about deficiencies with the current impairment model. Moreover, we believe that such an approach would provide clear information to investors about the accounting basis upon which the allowance is based and greater transparency into the effect of economic factors and loss experience on the allowance. For these kinds of financial assets, where expectations about losses are integral to pricing, such an approach appears more consistent with the underlying economics.

With regard to the model proposed in the Supplement we have the following concerns:

- First and foremost, we believe that a time proportional approach obscures the effect of current economic conditions and loss experience on the allowance for loan losses. There can be shifts between the floor and the proportional approach over time and across portfolios which will make the analysis more difficult and less intuitive for investors. Furthermore, the introduction of expected life as a variable leads to the potential need to explain how a lengthening of expected portfolio life would lead to a lower sequential credit loss provision which is not at all related to credit factors.

- Equally important, the proposed model also does not reflect the way that we analyze and report losses for risk management purposes, which will inevitably give rise to supplemental reporting on a management basis. We believe that outcome should be avoided.

- We believe that there is potential for significant diversity in application of the concepts outlined in the Supplement (absent significant clarification), such as the determination of what is considered for inclusion in the good book and bad book. As one might expect, without specific definition, the accounting and reporting will be heavily influenced by the positions taken in guidance issued by financial services regulatory agencies in each jurisdiction, which would impair comparability of financial results globally.

- We also believe this approach adds unnecessary operational complexity to the loss estimation process. Under the proposed model, we would need to specifically identify and manually track accounts to be included in the good book. Over time, such accounts could move out of and back into the good book, reflecting the cycle that often occurs when an obligor becomes delinquent and then cures in future periods. Our risk management information system covers the entire portfolio, which makes it operationally challenging to determine expected average life and portfolio age excluding accounts that are assigned to the bad book. Similarly, for portfolios of small balance loans, it is not straightforward to develop an expected life on a basis other than contractual maturity, due to the lack of availability of prepayment information on the basis of a good book sub-segment. The potential that loss
reserves would need to be discounted would add complexity to each of the above issues. For perspective, the accounting called for under the proposal would need to be operationalized across millions of contracts spanning more than one hundred pools.

- We are concerned that important aspects of the proposal require additional clarification including: whether or not to discount the loss reserve, when a loan needs to be transferred from the good book to the bad book and vice versa, and whether it is possible to determine a weighted average life and weighted average remaining life of an open portfolio. We also are uncertain as to how this model can be operationalized for debt securities and loans evaluated individually for impairment.

We strongly recommend that respondents be given more time to adequately study the issues and provide further detailed and meaningful commentary on the Supplement. More time also is needed for field testing the proposal in order to determine whether or not there are any significant operational issues with the impairment model and whether it would actually achieve the Boards’ objective of providing more meaningful information and greater transparency for investors.

We believe that it is imperative that the Boards continue to work together to develop a converged model that will form the basis for a high quality global impairment standard for financial assets.

We appreciate the opportunity to provide our views and we look forward to following the Boards future deliberations. Please feel free to call me at (203) 373-2444 if you have any questions regarding this response.

Sincerely,

/s/ Jamie S. Miller

Jamie S. Miller