November 30, 2005

Technical Director—File Reference 1240-001
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116
USA

Sent via post and email to director@fasb.org


Ladies and Gentlemen:

Credit Suisse Group appreciates the opportunity to comment to the Revised Exposure Draft of the Proposed Statement of Financial Accounting Standards, Earnings per Share — an amendment of FASB Statement No. 128 (the ED). Credit Suisse Group is registered as a foreign private issuer with the Securities and Exchange Commission and prepares its financial statements in accordance with US GAAP. Overall, we are supportive of the Board’s efforts to converge with International Financial Reporting Standards. However, we have certain concerns about the proposal that are described below.

MandatorilyConvertible Instruments

We believe mandatorily convertible instruments are similar to contingently issuable shares that satisfy all conditions, as settlement in shares is contingent only on the passage of time. We generally agree that shares to be issued under a mandatorily convertible instrument should be included in the computation of basic earnings per share from the date future conversion becomes mandatory, as this would be consistent with the current treatment of contingently issuable shares. We do have some comments as described below.

Liability/Equity classification of these instruments

We are concerned with the consistency between the treatment of mandatorily convertible instruments for basic earnings per share and their classification as either liabilities or equity. While a preferred stock that is mandatorily convertible may be classified in equity, a mandatorily convertible debt or a prepaid forward purchase may not. In the basis of SFAS 150 for excluding shares associated with physically settled forward purchase contracts from basic EPS, the Board reasoned that because the accounting for such contracts reduces equity,
even though the shares are still outstanding, they are effectively accounted for as if retired. Conversely, the ED requires that mandatorily convertible instruments be included in basic EPS without any consideration as to how these instruments are recorded on the balance sheet.

Since mandatorily convertible instruments increase equity, together with the proposed requirement to include such instruments in basic EPS, we believe mandatorily convertible instruments should be accounted for as equity. If the Board continues with the requirement to include mandatorily convertible instrument in basic EPS, we would expect that the balance sheet classification of such instruments will be addressed in the FASB’s liabilities and equity project.

Instruments that are mandatorily convertible into a variable number of shares with a minimum
The ED requires that “shares that will be issued upon conversion of a mandatorily convertible instrument shall be included in the weighted average number of shares outstanding used in computing basic EPS...using the if-converted method...” In defining a mandatorily convertible instrument, the ED states that “an instrument that converts into a variable number of shares is not a mandatorily convertible instrument because a contingency remains (the number of shares is not known), except to the extent that there is a minimum number of shares that will be issued. In that case, the minimum shares that will be issued are considered mandatorily convertible and any additional shares that may be issued are not.” The ED does not address the earnings per share implications of any additional variable shares that may be issued in excess of the minimum. For such instruments, will any additional shares that may be issued be required to be included in basic and/or diluted earnings per share? We would expect that these variable shares would be considered using the contingent issuable share guidance in par 30-35 of SFAS 128 in calculating diluted earnings per share. We recommend that the FASB clarify how such variable shares should be considered in calculating earnings per share.

Forward sales that will be physically settled
SFAS No. 150 requires that shares to be purchased related to forward purchases that will be physically settled as well as shares that will be redeemed related to mandatorily redeemable shares should be excluded from the calculation of basic earnings per share. This ED will now require shares to be issued related to a mandatorily convertible instrument to be included in basic earnings per share. We would assume, based on the basis for conclusion for including mandatorily convertible instruments in basic earnings per share, that forward sales would also be included in the calculation of basic EPS. We recommend that the Board clarify that shares to be issued pursuant to a forward sale that requires physical settlement should be included in the computation of basic earnings per share.

Mandatorily convertible instruments and the use of the two-class method
Prior to the issuance of EITF 03-6, convertible participating securities (including mandatorily convertible participating securities) were required to be included in the calculation of basic earnings per share using either the if-converted method or the two-class method; however, the dilutive effect on basic earnings per share of such participating convertible securities could not be less than that which would result from the application of the two-class method. EITF 03-6 removed this choice and required the two-class method to be used for convertible participating securities. The ED will require mandatorily convertible instruments to be
included in basic EPS using the if-converted method. We recommend that the Board clarify the use of the if-converted method in situations when the dilutive effect on basic earnings per share is less than the two-class method.

Liability as assumed proceeds

Assuming the Board does not change its proposal to eliminate the provision that allows an entity to rebut the presumption that contracts that may be settled in either cash or shares will be settled in shares, we support the decision to include the extinguishment of the liability as an assumed proceed when calculating the number of incremental shares using the treasury stock method for instruments carried as liabilities as this will generally result in no incremental shares for these instruments. Furthermore, we support the measurement of the liability used in the assumed proceeds computation at the value at which the liability would have been recorded at the end of the period had the end of the period share price been equal to the average share price during the period as this would ensure that such instruments would never be dilutive. We also feel that the average is more appropriate as this is consistent with the objective to diluted EPS to measure earnings per share for the period based on period information and that use of the end-of-period data or estimates of the future is inconsistent with that objective.

Assuming the Board adopts the provision to consider the extinguishment of the liability as an assumed proceed for instruments using the treasury stock method, we have the following comments:

- We believe that the decision to include the liability reduction as an assumed proceed should be extended to the application of the if-converted method. We do not see a reason for there to be an inconsistency given the basis provided in the ED for considering the liability reduction as an assumed proceed when calculating the treasury stock method.

- The ED states that, when applying the treasury stock method, the carrying amount of any liability would be considered an assumed proceed. Certain instruments are included in diluted earnings per share using the reverse treasury stock method (e.g., written call options, forward purchases that can be cash settled). We believe the guidance should be enhanced to address whether the requirement to include a liability reduction as an assumed proceed extend to those instruments that are included in diluted EPS using the reverse treasury stock method.

- Historically, written options and warrants have been considered to be dilutive when they are “in the money” to the counterparty. Because the liability reduction will also be considered an assumed proceed, many such instruments will no longer be considered dilutive when “in the money.” Will this concept be qualified for instruments that are recorded as liabilities and that are included in diluted EPS using the treasury stock method?
• Some derivatives on own shares are included as assets. If such instruments were to settle in shares, the asset for that instrument would be eliminated without receiving any benefits and the amount of the asset would be debited to equity, resulting in a decrease in net assets identical to that of a cash payment for issuing shares. Many such derivative instruments, which would be out of the money to the counterparty and historically not dilutive to earnings per share, may be dilutive if such asset reductions would otherwise be assumed to reduce the exercise price of the instrument. We recommend that the Board clarify that asset reductions should be considered cash outflows in calculating incremental shares for instruments that are included as assets and would otherwise be included in earnings per share using the treasury stock method.

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We appreciate the Board’s attention to our comments/concerns. We are available to further discuss these points. Please do not hesitate to contact Brent Arriaga at +41 44 333 4384 or brent.arriaga@credit-suisse.com.

Sincerely,

Rudolf Bless
Managing Director, Chief Accounting Officer

Brent Arriaga
Vice President, Accounting Policy Group