January 15, 2009

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

RE: File Reference: Proposed FSP FAS 107-a

Dear Mr. Golden:

The Bank of New York Mellon, Inc., a global financial institution with $260 billion of assets, appreciates the opportunity to comment on the Exposure Draft of the proposed FSP FAS 107-a, Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107 (the “Exposure Draft”).

We support increased transparency in financial statement disclosures and have commenced assembling disclosure information for our Other Than Temporarily Impaired (OTTI) investment securities in advance preparation for our Annual Report. As we consider the details of the proposed disclosures and how the Exposure Draft will impact the gathering of financial data in such a critically short time period, we have serious concerns with respect to the scope of the Exposure Draft, particularly the proposed new disclosures for loans. Overall we find the scope of the Exposure Draft to have overreached well beyond addressing the fundamental concerns that have come to light with the profession’s ongoing reexamination of the OTTI impairment model for debt securities that are held to maturity or available for sale. On balance, the resultant serious difficulties in technical application of the proposed disclosures arising from systems limitations and intense manual data gathering will be more problematic than useful, and the timing of the effective date given its scope as written will be nearly impossible for many banks to comply with.

We believe that the FSP should not be issued as written and that there is a critical issue remaining that must be addressed immediately; the measurement and recognition of OTTI on debt securities that are held to maturity or available for sale should be based on the amount of incurred losses. Absent this change, which we were disappointed was not made in time for fiscal year end financial reporting, we would only support issuance of the Exposure Draft if its scope is limited to OTTI debt securities.

Background

The global financial crisis has placed a tremendous focus on the accounting for financial instruments, primarily debt securities which have experienced very significant declines in their fair values over the course of 2008. The model for impairment accounting has been
acknowledged by the FASB to produce inconsistent write-downs across asset classes, primarily resulting in excessive write-downs of debt securities in illiquid markets to balances that are well below the expected amounts that will ultimately be collected after deducting expected credit losses. Throughout the period of this crisis, the loans impairment model has been advocated and we agree, as a more suitable model for measuring and recording impairment charges on debt securities.

Disclosures Alone are Inadequate without Suitable Accounting

The Exposure Draft came about because of the concerns expressed about the impairment model for Debt Securities Held to Maturity and Available for Sale. The Exposure Draft has taken this one step further by its inclusion of Loans and Long Term Receivables and Investment Securities where the impairment is only temporary in its scope. We believe that the scope of the Exposure Draft should be limited to Investment Securities Held to Maturity and Available for Sale that have experienced an OTTI. The current fair value disclosure requirements contained in Statement No 107, Disclosures About the Fair Value of Financial Instruments (FASB 107) that are applicable to Loans and Long Term Receivables are sufficient and no new information would be provided as a consequence of the Exposure Draft. This is because from a balance sheet perspective, the carrying amount of loans net of the allowance is substantially the same as the amount of the loans balance after “incurred losses” are deducted.

Leases have been included in the scope of the Exposure Draft by the inclusion of the caption “Loans and lease receivables” in Example 4 – disclosures about Different Measurement Attributes Relating to Certain Financial Assets. Leases were explicitly excluded from the scope of FASB 107, after the adoption of Statement No. 163, Accounting for Financial Guarantee Insurance Contracts. As this Exposure Draft is expected to be effective for 12/31/2008 disclosures, a one-time requirement to provide such disclosures may present an unnecessary burden on preparers that will not be required in subsequent reporting periods. We believe that disclosure of leases should be explicitly excluded from this Exposure Draft.

We continue to believe that urgent changes to FASB Staff Position FAS 115-1 and FAS 124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments (“FSP 115-1) are necessary to better align the impairment measurement of debt securities with that of many banks we compete with outside of the United States that have adopted International Financial Reporting Standards.

Banks are recording losses that are not representative of the true economics of the debt securities they hold for the long term. Impairment charges well above the amount that would be required under the FASB Statement 114 model, Accounting by Creditors for Impairment of a Loan are being forced through banks’ income statements.
Conclusion

We would only support issuance of the Exposure Draft if its scope is limited to OTTI debt securities. We continue to urge the FASB to take immediate action to align the measurement of impairment losses on debt securities with the incurred loss models used for loans and receivables. In achieving a consistent model for impairment recognition across all debt securities, loans and receivables this would achieve, not only a reduction in accounting complexity, but would also achieve financial reporting that is consistent, reliable, relevant and timely to the users of financial reports. Accounting is the best form of disclosure, and the disclosures proposed in the Exposure Draft appear to acknowledge that there is a significant problem with the measurement of impairment on debt securities. These disclosures will not address the problem sufficiently so long as users of financial statements continue to focus on recorded net income and earnings per share.

If you have any questions or are in need of any further information, please contact me at (212) 635-7080.

Sincerely,

[Signature]

John Park, Managing Director
Controller