May 7, 2013

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

Re: File Reference No. 2012-260

Dear FASB:

Qualcomm Incorporated ("Qualcomm") is a large accelerated filer with a diverse marketable securities portfolio, consisting of both debt and equity securities, valued at approximately $26 billion as of March 31, 2013. We expect that the vast majority of our marketable debt securities will be accounted for at fair value with changes in fair value recorded through other comprehensive income ("FV-OCI") (as contemplated in the FASB’s exposure draft on Financial Instruments). Though we have significant investments in corporate bonds and notes, mortgage-backed securities and other financial instruments, our core business strategy is to design, manufacture, have manufactured on our behalf and market digital wireless telecommunications products and services. With the exception of select strategic investments, our marketable securities investments are held for liquidity and tax efficiency purposes rather than as part of our core business strategy. We respectfully submit this comment letter on the Exposure Draft on the Proposed Accounting Standards Update entitled Financial Instruments – Credit Losses, which would modify Topic 825, Financial Instruments (the “Update” or the “ED”).

As further described in this letter and in Exhibit I to this letter, while we support the FASB’s evaluation of a comprehensive framework that addresses the accounting for credit losses on financial instruments, we are in favor of the current impairment model for marketable debt securities recorded at FV-OCI because it provides that, prior to the recognition of any impairment loss, (a) the fair value be less than the cost basis and (b) the entity does not expect to recover the contractual cash flows. Another admirable feature of the current impairment model
for marketable debt securities recorded at FV-OCI is that it properly reflects differences in business strategies associated with such securities and all other debt instruments.

We believe there are fundamental differences between marketable debt securities that are recognized at FV-OCI and those marketable debt securities or loans that are recognized at amortized cost. Considering those differences, we believe that the proposed impairment model would result in less meaningful and potentially confusing information for investors as it relates to debt securities recorded at FV-OCI. Companies that invest in marketable securities that will be recognized at FV-OCI generally have the business purpose of generating non-operating cash flows. Usually, such marketable securities can be converted into cash at a reasonable price through liquid markets, allowing for holders of such securities to sell an individual security shortly after the decision to divest is made. Estimating and recording credit losses in the manner prescribed by the ED seems more relevant for loans and marketable securities carried at amortized cost because such instruments are held until maturity with the purpose of collecting the underlying cash flows, and the investments are not recognized at fair value on each reporting date.

To acknowledge dissimilarities in the underlying business purpose for holding financial instruments, we believe that the model for marketable debt securities that are accounted for at FV-OCI should differ from the model used for loans and other debt securities that are recognized at amortized cost. We note that current U.S. GAAP and the proposed exposure draft for classification and measurement of financial instruments already require a company to consider its business model or strategy when determining other aspects of accounting for financial instruments, such as evaluating whether they should be recorded at fair value on a recurring basis or recorded at amortized cost. Therefore, we believe it is consistent to consider a company’s business model or strategy for the investment (and, correspondingly, its classification and measurement) as a relevant factor in determining the manner in which impairment losses are recognized in the income statement.

The model proposed in the ED requires an entity to assume the possibility of a loss on a marketable debt security recognized at FV-OCI even if the entity does not expect a credit loss will be incurred related to that asset, and in instances where the fair value exceeds the security’s cost basis, the entity could avoid a loss by selling it via standard market mechanisms above its cost basis. The proposed model could result in an entity recording a loss through earnings when the security is purchased and reversing that loss in some manner through the date the security is sold or matures. Our view is that the increased volatility in earnings will make it more difficult for investors to determine the operational results of a non-financial institution, such as Qualcomm.

If the FASB moves forward with an allowance model for marketable debt securities recorded at FV-OCI, we believe that the model should allow for entities to pool similar securities and use the amount by which the group of securities is below cost at the reporting date as the starting point
for determining the amount of loss. Entities would then assume a portion of the losses existing at 
the reporting date will be realized based on relevant information, including expected portfolio 
turnover, historical loss experience, current conditions and reasonable and supportable forecasts. 
We believe such a model better reflects the manner in which marketable debt securities recorded 
at FV-OCI are managed, as compared to the model proposed in the ED.

We are supportive of the convergence efforts of the FASB and the IASB. Qualcomm holds 
marketable securities in multiple jurisdictions, and although we report our consolidated results 
pursuant to U.S. GAAP, certain of our subsidiaries report their results pursuant to IFRS for 
statutory reporting purposes. In order to avoid the continued administrative burden of 
maintaining two sets of records, we believe that it is important for the two Boards to reach a 
converged conclusion regarding the accounting for credit losses.

We have attached our responses to select questions that are enumerated in the ED and our 
discussion of other considerations in Exhibit I to this letter. We appreciate the opportunity to 
comment on this proposed ED. Thank you for your consideration.

Sincerely,

Richard F. Graniris 
Senior Vice President and Treasurer 
QUALCOMM Incorporated
Exhibit I

Our responses to selected Questions for Respondents in the ED are provided below.

**Question 1:** Do you agree with the scope of financial assets that are included in this proposed Update? If not, which other financial assets do you believe should be included or excluded? Why?

No. We do not agree with the scope of financial assets included in the ED as it relates to marketable debt securities accounted for at FV-OCI. The Board states in paragraph BC37 of the ED that the Board found no conceptual or practical reasons to justify a different credit loss measurement objective for marketable debt securities as compared to debt instruments that are not securities (such as loans). While we agree with the Board’s statement that the form of the debt instrument should not necessitate a different measurement principle, we note that the proposed accounting model for classification and measurement of the securities (amortized cost or FV-OCI) considers the reporting entity’s business strategy or intent regarding the security and its cash flow characteristics. Therefore, we believe that an impairment model that also is responsive to the reporting entity’s business strategy or intent regarding the debt instrument is consistent with the Board’s goal of developing a standard that provides decision-useful information.

We believe the current impairment recognition guidance for marketable debt securities recorded at FV-OCI is appropriate. This guidance requires that the fair value of the security be less than the cost basis prior to recognition of any impairment loss in the income statement. If the fair value exceeds the cost basis, an entity could sell the security and realize a gain, and, thus, any future expected losses would be irrelevant. As a result, an entity would recognize credit losses in one period and reverse them in the following period when the security is sold, which we do not believe provides decision-useful information related to the company’s management of its marketable securities portfolio.

For example, assume a marketable debt security recorded at FV-OCI is purchased by an entity for $88, and at the end of the first reporting period, the security’s fair value has increased to $92, primarily due to favorable changes in interest rates. Assuming that the entity has determined that expected credit losses are more than insignificant, the proposed model would require the entity to record a provision for credit losses in the income statement even though the entity has determined the asset is not impaired (as the price at which it could be sold at the reporting date exceeds the entity’s cost basis). We believe that outcome would make it more difficult for investors to understand investment results because recording a loss would be required under the proposed ED. Then, assuming no subsequent change in fair value when the security is disposed of in a subsequent period, the income statement would reflect not only the gain realized upon the sale but also the reversal of the credit loss, which we do not believe provides decision-useful information. Stated another way, we believe that a security should not be deemed “impaired” and require any income statement recognition of impairment when 1) the fair value is greater than
amortized cost, 2) the entity has the ability to avoid any measured expected credit losses by selling the security and 3) the entity has classified the security as FV-OCI.

**Question 5:** The proposed amendments would require that an estimate of expected credit losses be based on relevant information about past events, including historical loss experience with similar assets, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the financial assets’ remaining contractual cash flows. Do you believe that expected credit losses based on this information provide decision-useful information?

No. The proposed amendments provide for greater flexibility in what and how information is evaluated to estimate expected credit losses; however, this will render credit loss reserves incomparable across companies. We believe the proposed amendments obfuscate the economic substance and will require management to spend additional time discussing loss reserve modeling and assumptions for little incremental benefit, especially given the fact that this information is unrelated to operating performance of a non-financial institution such as Qualcomm.

The proposed model requires an entity to assume both the possibility that credit losses will occur and the possibility that credit losses will not occur. In certain instances, the proposed guidance will result in the recognition of credit losses when an entity does not expect to incur credit losses, which will not reflect the actual or anticipated economic results. Additionally, this will result in more earnings volatility and additional disclosures. We do not believe these results are valuable to the financial statement user in situations in which it is unlikely that a credit loss will ever be realized and, in many cases, will distract users from more relevant information in the financial statements. We believe that a model that allows an entity, depending on the facts and circumstances, to determine whether to use multiple outcomes or the most likely outcome, which is consistent with the current model for marketable debt securities, should suffice to address the Board’s concerns in that such a model would recognize credit losses prior to either an event of default or an actual shortfall of cash flows prior to recognition of a loss.

**Question 9:** The proposed amendments would require that an estimate of expected credit losses be based on relevant information about past events, including historical loss experience with similar assets, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the financial assets’ remaining contractual cash flows. Do you foresee any significant operability or auditing concerns or constraints in basing the estimate of expected credit losses on such information?

Yes. We believe this model proposed in the ED will create significant operability issues. As the Board contemplates in the ED’s basis for conclusions, many non-financial institutions frequently manage marketable debt securities that are accounted for as FV-OCI on an individual asset basis because the business model involves the purchasing and selling of individual securities. As a result, while the ED allows for the pooling of similar assets, we expect in many instances that
entities will need to determine the expected credit losses as contemplated in the ED for individual securities. This will be a significant effort for non-financial institutions, which do not have the same systems for tracking historical losses and calculating and managing credit losses on individual securities. Unlike lending institutions, non-financial institutions do not employ large teams of credit analysts nor do they have extensive proprietary datasets that are rich with historical default and loss information. This makes evaluating expected credit losses for individual securities prohibitively expensive and impractical for non-financial institutions, as opposed to requiring an entity to evaluate expected credit losses on only those securities that have a more than insignificant expected amount of credit loss. Furthermore, as it relates to securities with insignificant credit exposure recorded at FV-OCI, we believe the incremental financial reporting benefit to financial statement users is minimal given that these securities are already reflected on the balance sheet at fair value (as opposed to amortized cost), and any minor credit loss exposure “placed” on the security by the capital markets is already measured and reflected in an entity’s total comprehensive income.

**Question 14:** As a practical expedient, the proposed amendments would allow an entity to not recognize expected credit losses for financial assets measured at fair value with qualifying changes in fair value recognized in other comprehensive income when both (a) the fair value of the individual asset is greater than (or equal to) the amortized cost basis of the financial asset and (b) the expected credit losses on the individual financial assets are insignificant. Do you foresee any significant operability or auditing concerns or constraints in determining whether an entity has met the criteria to apply the practical expedient or in applying it?

Yes. We agree with the concept of including a practical expedient. However, we believe that the practical expedient as proposed in the ED is not sufficiently broad. As discussed above in our response to Questions 5 and 9, we believe that we will need to determine the expected credit losses on a security-by-security basis. While the practical expedient will provide some relief in this effort, we expect that the securities that qualify for the practical expedient will be a small portion of our marketable debt securities. As a result, we do not expect to achieve significant benefits from the practical expedient. We believe that if the ED were to be issued as proposed, the Board should simplify the practical expedient criteria such that it will apply when either (a) the fair value of the individual asset is greater than (or equal to) the amortized cost basis of the financial asset or (b) the expected credit losses on the individual financial assets are insignificant.

**Question 18:** Do you foresee any significant operability or auditing concerns or constraints in complying with the disclosure proposals in the proposed Update?

Yes. We believe that for non-financial institutions the additional disclosure requirements would overburden the financial statement users by providing excessive information that the average user will find confusing. It is important to us that stockholders, analysts and potential investors receive transparent, accurate and timely financial information to assess our financial position and make investment decisions; however, we believe that the proposed ED will heighten volatility,
increase complexity and cloud transparency for non-financial institutions by obscuring disclosures relevant to operating results. Furthermore, we believe that the additional disclosure volume required in the ED would place undue emphasis on a non-financial institution’s marketable securities portfolio, rather than on its core operations.

The ED states that “an entity must strike a balance between obscuring important information as a result of too much aggregation and overburdening financial statements with excessive details that may not assist financial statement users to understand the entity’s financial assets and allowance for expected credit losses.” (825-15-50-3) The ED goes on to prescribe disclosure requirements that we believe are in direct conflict with the stated “balance” objective. Moreover, examples, such as those in sections 825-15-55-20 to 55-21 and 825-15-55-43 to 55-44 indicate that the ED has been drafted with lending institutions in mind. These types of disclosures may be relevant for banking and financial entities whose primary business is lending, but we believe that they would serve as unnecessary and unwanted distractions for users of financial statements of non-financial institution.

The ED allows companies to determine the amount of disaggregation of their portfolios in light of facts and circumstances. We believe that the ED should require companies to follow the overall disclosure principle but allow them to use similar discretion in providing the detailed disclosures contemplated in the current ED based on facts and circumstances specific to each company.

Other Considerations

Interaction of Allowance with Fair Value
The recognition of the allowance as a contra-asset and its interaction with the requirement to record certain marketable debt securities at fair value is unclear. For example, Company A purchases a marketable security recorded at FV-OCI for 100 currency units (CU) in a reporting period. At the end of that reporting period, the fair value of the security has decreased to 90 CU, and the entity’s estimate of credit losses is 5 CU. It is our understanding that the Board’s intent is for Company A to record the asset on the balance sheet at 90 CU and to record a 5 CU provision for losses in net income and a 5 CU loss in other comprehensive income (OCI). The entity would then disclose that the net amortized cost of the security is 95. We believe that the ED should be clarified to address these points, including how to measure the portion of OCI for the period that should be reported as a reclassification adjustment in or out of OCI (or originating items of OCI).

Recognition of Recoveries
We are unclear on the proposed guidance related to the recognition of recoveries (825-15-25-10 and 825-15-35-1), which states that recoveries of securities that have been written off should be recognized though an adjustment to the allowance. The guidance implies that recoveries of securities that have been settled/disposed of would not be recognized through earnings, even though an entity would have recognized credit losses greater than or equal to the recovery.
through earnings. Would the adjustment to the allowance related to recoveries of securities that have been settled/disposed of remain as a credit on the balance sheet into perpetuity?