January 14, 2019

Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference No. 2018-310 Leases (Topic 842): Codification Improvements for Lessors

Dear Ms. Cosper:

JPMorgan Chase & Co (“the Firm”) appreciates the opportunity to comment on the Proposed Accounting Standards Update, Leases (Topic 842): Codification Improvements for Lessors (the “Proposed ASU”), issued by the Financial Accounting Standards Board (“FASB”). The Firm commends the FASB’s efforts to respond to lessor stakeholder feedback in an expedited manner and strongly supports the amendment that would reinstate in Topic 842 an exception for lessors that are not manufacturers or dealers to determine the fair value of leased property as the underlying asset’s cost instead of the fair value as defined in Topic 820, Fair Value Measurement. The Firm also supports the amendments to clarify that lessors that are depository and lending institutions within the scope of Topic 942, Financial Services—Depository and Lending would present all principal payments received from sales-type and direct financing leases within investing activities.

The Appendix provides the Firm’s responses to the FASB’s Questions for Respondents.

We appreciate the opportunity to submit our views. We would be pleased to discuss our comments with you at your convenience.

Sincerely yours,

Bret Dooley
Appendix – Responses to Questions for Respondents

**Question 1:** Should a lessor that is not a manufacturer or dealer establish fair value of the underlying asset as its cost, subject to any trade or volume discounts that apply (acknowledging that if a significant lapse of time occurs between the acquisition of the underlying asset and lease commencement, the definition of fair value must be used)? If not, please explain why?

The Firm strongly supports the amendment that would reinstate in Topic 842 an exception for lessors that are not manufacturers or dealers to determine the fair value of leased property as the underlying asset’s cost instead of the fair value as defined in Topic 820, *Fair Value Measurement*. The Firm agrees with the view in the Basis of Conclusions that capitalizing sales taxes, acquisition and delivery costs associated with the underlying asset subject to direct financing and sales-type leases and amortizing these costs over the lease term using the effective interest method most faithfully represents the economics of the lessor’s business model, which includes financing the total cost of the underlying asset for the lessee.

**Question 2:** Are the proposed amendments operable? If not, please explain why.

Yes. The Firm believes that the proposed amendments are operable, since they reinstate an exception that was used under previous lease accounting guidance.

**Question 3:** Would the proposed amendments result in a reduction of decision-useful information to users of financial statements? If so, please explain why.

No, the proposed amendments would not result in a reduction of decision-useful information to users of financial statements.

**Question 4:** Should lessors that are depository and lending institutions present “principal payments received under sales-type leases and direct-financing leases” in investing activities? If not, please explain why.

Yes. The Firm believes that lessors that are depository and lending institutions should present “principal payments received under sales-type leases and direct-financing leases” in investing activities on the statement of cash flows as this presentation is consistent with the economics of a financial institution’s leasing activity business model.

**Question 5:** Are the proposed amendments operable? If not, please explain why.

Yes. The Firm believes that the proposed amendments are operable.

**Question 6:** Would the proposed amendments result in a reduction of decision-useful information to users of financial statements? If so, please explain why.

No, the proposed amendments would not result in a reduction of decision-useful information to users of financial statements, since the proposed amendment would continue the practice by financial institutions to present direct finance and sales-type leases on a basis consistent with how loans are presented and is consistent with the economics of its leasing activity business model.
**Question 7:** Should the effective date for all lessors within the scope of the proposed amendments be for fiscal years beginning after December 15, 2019, with early application permitted? If no, what effective date should be established and why?

As long as early application of the proposed amendments are permitted, the Firm does not object to an effective date for fiscal years beginning after December 15, 2019.

**Question 8:** Should the proposed amendments be applied at the date that an entity first applied Topic 842 using the same transition methodology in accordance with paragraph 842-10-65-1(c)? If not, please explain why.

Yes. The Firm agrees that the proposed amendments should be applied at the date that an entity first applied Topic 842, using the same transition methodology in accordance with paragraph 842-10-65-1(c).