



Joseph L. Sclafani
Executive Vice President and Controller



LETTER OF COMMENT NO. 5

Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Re: Proposed FASB Staff Position No. FAS 123(R)-e, *Amendment of FASB Staff Position FAS 123(R)-1*

Dear Sir/Madam:

JPMorgan Chase & Co. (JPMorgan Chase or the Firm) appreciates the opportunity to comment on Proposed FASB Staff Position No. FAS 123(R)-e, *Amendment of FASB Staff Position FAS 123(R)-1* (Proposed FSP), which addresses whether a modification of an instrument in connection with an equity restructuring or a business combination should be considered a modification for purposes of applying FSP FAS 123(R)-1, *Classification and Measurement of Freestanding Financial Instruments Originally Issued in Exchange for Employee Services under FASB Statement No. 123(R)*.

Overall, the Firm supports the substance of the guidance in the Proposed FSP, and believes it represents a reasonable and practical response to the issue it addresses. As JPMorgan Chase interprets this guidance, we believe the Board intends for it to be conceptually consistent with that in SFAS No. 123(R) related to modifications in connection with equity restructurings. However, we are concerned that the language in paragraph 4 of the Proposed FSP is somewhat inconsistent with the provisions of SFAS 123(R) and, therefore, may be subject to different interpretations. Paragraph 4 of the Proposed FSP would amend FSP FAS 123(R)-1 by adding the following sentence:

Only for purposes of this FSP, a modification does not include an exchange or a change to the terms of an award if that exchange or change is made only to reflect an equity restructuring or business combination provided that (a) either there is no increase in value to the holders of the instrument or the change in the terms of the award is not done in contemplation of an equity restructuring or a business combination and (b) all holders of the same class of equity instrument (for example, stock options) are treated in a similar manner.

Our specific comments on this proposed language are:

1. To be conceptually consistent with the equity restructuring modification provisions of SFAS 123(R), the Firm believes that the conditions following part (a) should be, "the change in the terms of the award is not done in contemplation of an equity restructuring or a business combination and [not "or"] there is no increase in value to the holders of the instrument in connection with the equity restructuring or business combination as a result of the exchange." Under SFAS 123(R), in order for a modification related to an equity restructuring not to give rise to incremental compensation cost, both of these conditions must be met, not one or the other.

2. It is unclear why the Board has included condition (b), “all holders of the same class of equity instrument (for example, stock options) are treated in a similar manner.” This is not a requirement of SFAS 123(R) as it relates to modifications in connection with an equity restructuring, so it is unclear why the Board has incorporated this additional requirement into proposed guidance that would govern an analogous situation.

Based on the preceding, the Firm recommends omitting condition (b), and instead, requiring both parts of condition (a) to be met.

We appreciate the opportunity to submit our views and would be pleased to discuss our comments with you at your convenience. If you have any questions, please contact me at 212-270-7559 or Julie Donatelli at 312-325-5084.

Very truly yours,
Joseph Sciafani