



Shannon S. Warren
Managing Director



August 15, 2008

LETTER OF COMMENT NO. 36

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

Re: File Reference No. 1590-100, Proposed Statement of Financial Accounting Standards, *Accounting for Hedging Activities, an amendment of FASB Statement No. 133*

Dear Mr. Golden:

JP Morgan Chase & Co. ("JPMorgan Chase" or "the Firm") appreciates the opportunity to comment on the Financial Accounting Standards Board's ("FASB") Exposure Draft of Proposed Statement of Financial Accounting Standards, *Accounting for Hedging Activities, an amendment of FASB Statement No. 133* (the "Exposure Draft"). JPMorgan Chase has actively participated in the preparation of the comment letter submitted by the International Swaps and Derivatives Association ("ISDA"). As such, we support the positions in the ISDA comment letter. However, due to the importance of the Exposure Draft, we felt it necessary to provide the following comments separately.

JPMorgan Chase does not support the vast majority of the changes proposed in the Exposure Draft. While we appreciate the FASB's efforts to resolve practice issues and simplify certain aspects of the hedge accounting model under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"), we believe the proposed amendments will greatly increase complexity resulting in an increase rather than a decrease in the number of SFAS 133 practice and interpretive issues. The reasons why the proposed changes will result in increased complexity and unresolved practice issues have been discussed at length in the ISDA comment letter.

Further, JPMorgan Chase strongly disagrees with the FASB's decision to eliminate the bifurcation by risk. The Firm agrees with the first decision of the FASB as stated in the original basis for conclusions in SFAS 133 that "the principal purpose of providing special accounting



for hedging activities is to mitigate the effects on earnings of different existing recognition and measurement attributes". We believe that the Exposure Draft will result in an exacerbation of the effects of the mixed-attribute measurement model for firms that actively manage their risks that will not be incurred by firms that do not similarly manage their risks. We firmly believe that the FASB's efforts to expand the use of fair value accounting where appropriate should be effected through a separate project that applies to all firms, not just to those that seek to prudently manage their financial risks.

Finally, JPMorgan Chase believes that the costs of the Exposure Draft outweigh the benefits, especially when the cost of re-implementing another hedge accounting standard as US GAAP converges to IFRS is considered. While the Firm believes that a few simple fixes and additional disclosures would solve the vast majority of practice issues and user requests for information, the Firm strongly believes that such a wholesale change to the hedge accounting model is not warranted at this time. Instead, the Firm believes that the FASB should re-focus its efforts (through a joint project with the IASB) on convergence with an IFRS-based hedge accounting model in the near term.

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 212-648-0906.

Very truly yours,

A handwritten signature in cursive script, reading "Shannon Warren". The signature is written in black ink and is positioned above a horizontal dashed line.