JPMorganChase

Louis Rauchenberger
Corporate Controller

August 8, 2008

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

LETTER OF COMMENT NO. 212

Re: File Reference No. 1600-100
Exposure Draft – Disclosure of Certain Loss Contingencies, an amendment of FASB Statements No. 5 and 141 (R)

Dear Mr. Golden:

JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm") appreciates the opportunity to comment on the Financial Accounting Standards Board's ("FASB" or the "Board) June 5, 2008, Exposure Draft of the Proposed Statement of Financial Accounting Standards, *Disclosure of Certain Loss Contingencies, an amendment of FASB Statements No. 5 and 141(R)* (the "Exposure Draft"). The Firm is both a user and preparer of financial statements and our comments reflect our views from both perspectives.

In general, JPMorgan Chase is a strong supporter of the Board's efforts to converge U.S. accounting standards with International Financial Reporting Standards ("IFRS"). Accordingly, the Firm generally supports those provisions of the Exposure Draft that may further such convergence. Specifically:

- The Firm agrees that the tabular reconciliation would improve financial reporting but, for litigation, believes that it should be subject to a broad prejudicial exemption as discussed more fully below and in our response to Question 8.

- JPMorgan Chase also agrees that requiring expanded qualitative disclosures about contingent liabilities is reasonable and appropriate. With respect to litigation, however, we believe that the Exposure Draft should be revised to require all companies to provide footnote disclosures similar to those that public companies presently make in accordance with Item 103 of Securities and Exchange Commission ("SEC") Regulation S-K.

JPMorgan Chase does not support those provisions of the Exposure Draft for which corresponding requirements do not exist under IFRS. In particular:

- As explained in the Firm's response to Question 3 in the Appendix to this letter, JPMorgan Chase disagrees with paragraph 6, which would require additional disclosures about contingencies with a remote likelihood of occurrence.

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- Similarly, and as discussed further in JPMorgan Chase's response to Question 5, the Firm does not support the proposed requirements set forth in paragraph 7.a. of the Exposure Draft (i.e., disclosures about maximum exposure to loss).

From its perspective as both a financial statement preparer and user, the Firm is most deeply concerned, however, about any additional requirements to disclose quantitative information about litigation reserves. JPMorgan Chase understands that paragraph 86 of International Accounting Standard 37, *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), requires entities to disclose an estimate of the financial effect of contingent liabilities, other than those determined to be remote. However, based upon our review of the IAS 37 disclosures of a number of peer financial institutions, we do not see that this disclosure is being made. Since IAS 37 includes both a practicability and a prejudicial exemption (to be applied in "extremely rare cases"), it is possible that these companies are invoking one or both of these exemptions. In the U.S., we do not expect that companies would be permitted to invoke these types of exemptions in such a broad manner. Accordingly, the proposed requirement to disclose quantitative information about litigation reserves under U.S. GAAP may have the intended consequence of substantially conforming accounting standards but, at the same time, the unintended consequence of creating differences in practice.

The basis for the Firm's objections to expanded quantitative disclosures, as well as further comments on the Exposure Draft relative to IFRS convergence are discussed in more detail below. JPMorgan Chase's responses to the questions in the Exposure Draft are attached as an Appendix to this letter.

QUANTITATIVE DISCLOSURES ABOUT LITIGATION RESERVES

The Exposure Draft would require entities to report either: (i) the plaintiff's maximum claim; or, (ii) an estimate of the maximum amount of possible loss where no claim amount is stated by the plaintiff. If an entity does not believe that those amounts are representative of its actual exposure to loss, then it may also disclose its best estimate of the possible loss or range of loss. However, paragraph 7.a. requires the entity to disclose its maximum exposure to loss in any event. In most cases, the maximum exposure to loss would not be a reasonable estimate of the actual exposure. Therefore, the Firm does not believe that this is a particularly relevant disclosure without additional disclosures about the best estimate of the possible loss or range of loss or the reasons why the maximum exposure is not the best estimate of possible loss or range of loss. However, JPMorgan Chase strongly objects to providing these additional disclosures, primarily because we believe it is prejudicial, but also because it is unduly burdensome to preparers and will not significantly benefit financial statement users.

Comments from the Perspective of a Financial Statement Preparer

Requiring an entity (i.e., the defendant in a legal matter) to disclose a range of loss may provide a plaintiff with information regarding that entity's litigation theory or strategy, thereby prejudicing it in the litigation. Moreover, in instances where the disclosures and estimates are ultimately wrong, the disclosures themselves could be used against the company in an investor or shareholder lawsuit.

Plaintiffs may also use the disclosures contemplated by the Exposure Draft against the entity in connection with settlement or resolution of the dispute. In essence, the disclosures may provide

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plaintiffs a minimum settlement value for resolving the dispute. This would be prejudicial against the company because its minimum settlement value may exceed the plaintiff's maximum settlement estimate. The plaintiff could then increase its settlement estimate and the disclosures would cause the company to settle the dispute for more than it otherwise would have if the disclosures were not required.

Notwithstanding the inherent difficulty of predicting the outcome of litigation, such disclosures are especially troublesome for those matters that are at an early stage of the proceeding as the prospect of settlement or resolution likely would have been minimal. In practice, estimates are likely to change over the course of proceedings based on various factors including: consulting expert analysis and reports, deposition testimony, document production, discovery answers, venue and forum selection, choice of law and court orders regarding procedural and dispositive motions. These factors are highly subjective and can change the company's estimate of a legal matter in a short period of time. To the extent that entities are required to disclose revisions to their estimates, they are directly prejudiced for the same reasons.

The contemplated quantitative disclosures also seriously undermine the attorney-client privilege and attorney work product doctrine. The attorney-client privilege protects communications by parties with counsel and certain other advisors. Similarly, the attorney work product doctrine shields materials prepared in anticipation of litigation from discovery by opposing parties. The Exposure Draft contemplates disclosure of the kind of information typically protected by these privileges. To comply with the quantitative disclosure requirements, entities will likely need to rely on communications with their counsel and/or the materials they have prepared in connection with the relevant dispute. However, sharing such information is arguably a waiver of the privileges, which plaintiffs will likely use against defendants in the proceedings.

The proposed solution to prejudicial disclosures—aggregation at a higher level—does not remedy the potential problems with respect to the quantitative disclosures. In some cases, either a single claim or a limited number of claims may account for a disproportionate amount of the total exposure. In such cases, aggregating the disclosure would not provide a meaningful shield for the information. This is especially true for claims that arise from well-publicized matters (e.g., Enron, WorldCom). In addition, to the extent that all estimates of claims are uncertain, aggregation may merely compound the estimation error that is inherent in each individual evaluation, leading to a composite disclosure that is so prone to misstatement as to be virtually meaningless for users.

Moreover, the quantitative disclosures—in particular the maximum potential loss amount—could be unduly burdensome for preparers. For institutions such as JPMorgan Chase, which has lengthy litigation and dispute dockets, the process of reporting the claim amount would require a significant dedication of resources. There are jurisdictions that do not permit plaintiffs to plead claim amounts. In those jurisdictions that do, plaintiffs, either because they do not know or are unwilling, often do not provide a claim amount. In those jurisdictions that require plaintiffs to plead claims, some elect to plead only the minimum amount necessary to file a claim. Moreover, those plaintiffs who do assert a specific monetary claim often state amounts in their claim that exceed the amount of the actual harm sustained or the amount that will ultimately be paid in a settlement or judgment, either as a negotiating tactic or because they have overvalued their claim based on a faulty assessment. Thus, the amount of the claim as pleaded by plaintiffs is often unavailable and/or unreliable. Moreover, these burdens are not outweighed by the benefits of furnishing such information. As set forth in the following section, the information reported would be of limited, if any, use to users.

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Comments from the Perspective of a Financial Statement User

Paragraph A3 of the Exposure Draft indicates that this project "was undertaken to address constituents' concerns that the disclosures about certain loss contingencies under existing guidance do not provide sufficient information in a timely manner to assist users in assessing the likelihood, timing, and amounts of cash flows associated with loss contingencies." While there are undoubtedly financial statement users who hold this view, many others do not. As a global financial services firm and a leading investment bank, JPMorgan Chase is a significant user of financial statements in a variety of functions, including lending and equity analysis. From a user's perspective, JPMorgan Chase is not supportive of the view cited above. Instead, the Firm believes that appropriate qualitative disclosures provide the best information about litigation loss contingencies to the largest number of users in the most balanced, fair and cost effective manner.

As a lender, JPMorgan Chase would ideally like to see more quantitative information about its borrowers' litigation loss exposures in their financial statements. But the quantitative information here at issue - the maximum amount of possible loss represented by a claim, or the plaintiff's maximum claim - is not particularly useful. Rarely, if ever, is the maximum amount of a claim in any way indicative of actual loss. In addition, the Firm also recognizes that the "cost" of such disclosures would be to subject the reporting entity to the possibility of additional financial loss, which could, in turn, affect its ability to repay its loan. As a user in this situation, the Firm does not believe that the benefits of additional quantitative disclosures outweigh the potential costs.

With respect to equity analysts, while the Firm understands that there are those who support the project; at the same time, it is aware of others who do not. The feedback from the latter group comes from those who simultaneously acknowledge that their position on this issue runs counter to a general belief that more information is always better. Analysts who hold this view cite the highly litigious nature of our society and the large number of frivolous and opportunistic lawsuits that companies often face. These analysts argue that providing additional disclosures about such matters not only detracts from meaningful information in the financial statements, it may also exacerbate the underlying problem.

Other equity analysts are concerned that increased quantitative disclosures could lead to significant volatility in a company's stock price. For example, if a company were to disclose its maximum potential losses, many analysts would automatically factor this into their estimate of the company's value, regardless of whether the entity was also disclosing its estimate of the actual expected loss. A significant downward adjustment of the company's value could then lead to an immediate decrease in that analyst's target stock price. This may then be followed by a major sell-off in the reporting entity's stock—all based on a reported loss amount that is completely unreliable and meaningless. While this increase in volatility may benefit certain types of investors, such benefits could come at a great cost to many other stakeholders.

Some analysts have expressed the view that they are most concerned about loss contingencies that would affect the company's ability to continue as a going concern. The Firm believes that loss contingencies of that magnitude should either be recognized in the financial statements and/or sufficiently disclosed under existing accounting standards. If this is not the case, then that may be an issue of compliance as opposed to one of inadequate accounting standards.

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CONVERGENCE WITH IFRS

Tabular Reconciliation of Recognized Loss

As noted above, the Firm generally supports the provisions of the Exposure Draft that promote convergence with IFRS. The tabular reconciliation of recognized loss contingences, as described in paragraph 8 of the Exposure Draft, is consistent with the requirements of paragraph 84 of IAS 37. While JPMorgan Chase conceptually agrees that the information provided in such a disclosure would be valuable to financial statement users, we believe that it too could be prejudicial to the reporting entity—particularly when a single claim or a limited number of claims account for a disproportionate amount of the total exposure.

For example, if a large and well-publicized lawsuit is filed against an entity during a reporting period and the tabular reconciliation reports a large increase in reserves during that same period, any financial statement user (including the plaintiff) may reasonably conclude that most, if not substantially all, of the increase is due to the new lawsuit. We do not believe that the situation described above, or similar types of situations that lead to the same result, would be rare. Many entities that are subject to litigation would naturally have one or a small number of cases that are clearly more significant than all of the others. As a financial statement preparer, we are concerned that any requirements to expand quantitative disclosures about litigation reserves would be prejudicial, since it is impossible to inform investors without simultaneously informing plaintiffs. As a user of financial statements, we believe that requiring companies to provide such disclosures may create an incentive to delay recognition of provisions that would otherwise be recorded.

In summary, JPMorgan Chase supports the tabular reconciliation for recognized losses other than those related to litigation. If the Board rejects this recommendation, then the Firm believes that this disclosure should not be required in those cases where it may be prejudicial; such circumstances would not necessarily be rare. If the Board were to expand the prejudicial exemption, it should provide additional implementation guidance. For example, if a company were to conclude that it may be prejudicial to disclose amounts related to certain significant matters, should it then exclude all litigation reserves from its tabular reconciliation? If it does not exclude all, then the remaining disclosure would be incomplete with respect to litigation reserves, which is also potentially confusing and misleading.

Qualitative Disclosures

The Firm generally supports requiring additional qualitative disclosures as described in Paragraph 7.b. of the Exposure Draft. As a financial statement user (e.g., as a lender), we believe that it would improve the quality of disclosures by nonpublic companies. However, JPMorgan Chase suggests that the disclosure requirements be revised to more closely conform to those already applicable to public companies under SEC Regulation S-K, Item 103 Legal Proceedings ("Reg S-K"), which generally require disclosure of certain factual information, such as the name of the court in which the proceedings are pending, the date of the claim, the principal parties involved and a description of the factual basis alleged to underlie the proceeding and the relief sought. Requirements to disclose subjective factors and/or predictions of future outcomes should be avoided, as they may also be prejudicial. The Firm also does not support disclosing more than

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currently required by Reg S-K based on the belief that additional disclosure could provide a plaintiff with information regarding the entity's litigation theory or strategy and seriously undermine the attorney-client privilege and attorney work product doctrine as discussed above.

Finally, requiring expanded qualitative disclosures for all companies would promote convergence with IFRS, as financial statements prepared under those standards provide a level of qualitative disclosure comparable to that found in Item 103 disclosures of public companies in the U.S.

* * * * *

To summarize the Firm's views, except for the two provisions of the Exposure Draft that do not have corresponding IAS 37 requirements, we are generally supportive of the Exposure Draft as it applies to loss contingences other than litigation-related matters. For litigation, we are supportive of additional qualitative disclosures but not additional quantitative disclosures, but understand and acknowledge that this exclusion would represent a significant decrease in the scope of any final standard.

If the Board decides to pursue the Exposure Draft in its current form, we strongly encourage the FASB to gather additional information and further study this perceived financial reporting weakness before reaching conclusions and issuing final guidance. For example, JPMorgan Chase recommends that the Board solicit input from a broader group of financial statement users; we do not believe that the views of users as a group are necessarily uniform or consistent with respect to this issue. Also, the Board should further study IFRS disclosures in order to better understand the interrelationships between the IAS 37 requirements and the nonU.S. legal, regulatory and compliance environments. And finally, if the Board believes that there is any question that the proposed disclosures could, in and of themselves, potentially cause economic harm to a reporting entity, it should proceed in an extremely cautious and prudent manner.

In terms of the effective date of the Exposure Draft, we do not believe that five months will give the Board sufficient time to analyze feedback from constituents, conduct the proposed public roundtable meeting or perform its field testing. Even in the best case, the Exposure Draft could not be finalized until very close to year-end, leaving preparers with inadequate time to gather and evaluate a significant amount of additional information. Therefore, we propose that the effective date of the Exposure Draft be delayed by at least one year if the Board does not agree with the Firm's suggestion to significantly limit the Exposure Draft's scope and/or requirements.

If you have any questions or would like to discuss our comments further, please do not hesitate to contact me at 212-270-3632 or Shannon Warren at 212-649-0906.

Sincerely yours,

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Appendix to Letter
from JPMorgan Chase
dated August 8, 2008

1. *Will the proposed Statement meet the project's objective of providing enhanced disclosures about loss contingencies so that the benefits of those disclosures justify the incremental costs? Why or why not? What costs do you expect to incur if the Board were to issue this proposed Statement in its current form as a final Statement? How could the Board further reduce the costs of applying these requirements without significantly reducing the benefits?*

   The Firm interprets the preceding question to relate to the incremental direct costs of implementing this proposed Statement from an operational perspective. As further discussed in the attached letter, and specifically with respect to litigation loss contingencies, it would be extremely costly and difficult for JPMorgan Chase to comply with the proposed requirement to disclose the maximum exposure to loss. While the Firm regularly assesses its estimated actual exposures to loss in the normal course of business, it does not perform the same analysis for maximum exposures as it does not believe this amount is particularly relevant to its own internal litigation risk management process.

   From a purely operational perspective, it would not be costly to develop quantitative disclosures about the Firm's estimated actual exposures to loss or a tabular reconciliation of recognized losses since JPMorgan Chase has this information readily available. However, as discussed at length in the attached letter, the issuance of the Exposure Draft as a final standard could expose the Firm and its shareholders to significant costs if it were required to disclose any such information as it may be prejudicial to its position in a legal matter. JPMorgan Chase believes that it would be extremely difficult to provide a level of information that would be beneficial to investors that would not, at the same time, potentially harm its own position in litigation. In other words, the types of disclosures that may be beneficial to investors would likely be beneficial to the Firm's litigation adversaries as well. It follows that benefits bestowed upon one party to litigation could be costly to the other party.

2. *Do you agree with the Board's decision to include within the scope of this proposed Statement obligations that may result from withdrawal from a multiemployer plan for a portion of its unfunded benefit obligations, which are currently subject to the provisions of Statement 5? Why or why not?*

   The Firm believes that it is appropriate to include within the scope of this proposed Statement obligations that may result from withdrawal from a multiemployer plan. An entity's decision to withdraw from a multiemployer plan is within its control. If the entity has no specific plans to withdraw, presumably the loss contingency would be considered remote and no additional disclosures would be required under the proposed Statement. However, if the entity intends to withdraw and there is a reasonable possibility that this decision would cause it to incur a liability, then it would be appropriate to disclose the quantitative and qualitative information set forth in the proposed Statement.

3. *Should an entity be required to provide disclosures about loss contingencies, regardless of the likelihood of loss, if the resolution of the contingencies is expected to occur within one year of the date of the financial statements and the loss contingencies could have a severe impact upon the operations of the entity? Why or why not?*

   The Firm does not support additional disclosures about loss contingencies that are reasonably determined to be remote based on our belief that such disclosures are not meaningful and would

be more likely to mislead than to inform investors. Specifically with respect to litigation, the Exposure Draft may require JPMorgan Chase to disclose an event that is remote but not material to investors along with information about frivolous, baseless disputes as to which we reasonably believe we will prevail. Additionally, imposing a one year timeframe on a materiality analysis is artificial and not necessarily beneficial to investors.

JPMorgan Chase also does not support the introduction of the "severe impact" concept. There is well-established case law regarding interpretations of "materiality" in relation to the application of accounting guidance, all of which would be lost with the introduction of this new standard. It may take many years to rebuild a similar body of case law regarding interpretations of "severe impact."

4. *Paragraph 10 of Statement 5 requires entities to "give an estimate of the possible loss or range of loss or state that such an estimate cannot be made." One of financial statement users' most significant concerns about disclosures under Statement 5's requirements is that the disclosures rarely include quantitative information. Rather, entities often state that the possible loss cannot be estimated. The Board decided to require entities to disclose the amount of the claim or assessment against the entity, or, if there is no claim or assessment amount, the entity's best estimate of the maximum possible exposure to loss. Additionally, entities would be permitted, but not required to disclose the possible loss or range of loss if they believe the amount of the claim or assessment is not representative of the entity's actual exposure.*

   a. *Do you believe that this change would result in an improvement in the reporting of loss contingencies? Why or why not?*

      The Firm does not believe that this change would result in an improvement in the reporting of loss contingencies, particularly those related to litigation. As discussed in the "Quantitative Disclosures About Litigation Reserves" section of the attached letter, in many cases damages are not specified so the Firm would be required to estimate the maximum possible exposure to loss. The term "maximum possible" implies the worst case and may also involve unforeseen circumstances. Given the number of variables involved in bringing legal matters to closure, and also considering that each matter typically includes unique facts and circumstances, there is no way to estimate this amount with any precision or reliability. Considering all of these factors, the Firm believes that it would be misleading to disclose only the maximum possible exposure to loss if this amount is not representative of the entity's potential actual exposure.

   b. *Do you believe that disclosing the possible loss or range of loss should be required, rather than optional, if an entity believes the amount of the claim or assessment or its best estimate of the maximum possible exposure to loss is not representative of the entity's actual exposure? Why or why not?*

      JPMorgan Chase strongly objects to disclosing the possible loss or range of loss for litigation exposures as such disclosures prejudice defendants. As discussed in the "Quantitative Disclosures About Litigation Reserves" section of the attached letter, plaintiffs benefit to the detriment of defendants from such disclosures as they provide insight into the defense trial strategy and theory of the case. Moreover, plaintiffs may use these disclosures in settlement negotiations or during the proceedings themselves. In addition, it would be difficult to make

the required disclosures without revealing information that would typically be protected by the attorney-client privilege and work product doctrine.

c. *If you disagree with the proposed requirements, what quantitative disclosures do you believe would best fulfill users' needs for quantitative information and at the same time not reveal significant information that may be prejudicial to an entity's position in a dispute?*

As previously discussed, the overarching issue is that the benefits to financial statement users, if any, derived from the disclosures required by the Exposure Draft are far outweighed by the potentially high costs to preparers, particularly defendants, of complying with the proposed rules. It would be virtually impossible to better inform users about an entity's litigation exposures without, at the same time, informing the entity's legal adversaries, thereby compromising the company's position in litigation.

5. *If a loss contingency does not have a specific claim amount, will an entity be able to provide a reliable estimate of the maximum exposure to loss (as required by paragraph 7(a)) that is meaningful to users? Why or why not?*

As discussed in the Firm's response to question 4.a., and in the "Quantitative Disclosures About Litigation Reserves" section of the attached letter, the Firm does not believe that entities will be able to provide a reliable estimate of the maximum exposure to loss.

6. *Financial statement users suggested that the Board require disclosure of settlement offers made between counterparties in a dispute. The Board decided not to require that disclosure because often those offers expire quickly and may not reflect the status of negotiations only a short time later. Should disclosure of the amount of settlement offers made by either party be required? Why or why not?*

We agree that disclosure of settlement offers should not be required. The Board is correct in its understanding that settlement offers expire quickly and that the negotiation process is very dynamic. Thus, in many cases, this information would be stale and irrelevant by the time an entity's financial statements were issued. Moreover, such information is typically privileged and confidential among the parties in a litigation or arbitration and is not to be used against the offering party; therefore, any requirement to disclose such information would not comply with the evidentiary rules in certain jurisdictions.

7. *Will the tabular reconciliation of recognized loss contingencies, provided on an aggregate basis, provide useful information about loss contingencies for assessing future cash flows and understanding changes in the amounts recognized in the financial statements? Why or why not?*

Please refer to the "Tabular Reconciliation of Recognized Loss" section of the attached letter.

8. *This proposed Statement includes a limited exemption from disclosing prejudicial information. Do you agree that such an exemption should be provided? Why or why not?*

JPMorgan Chase agrees that an exemption from disclosing prejudicial information should be provided, but does not agree that such an exemption should be characterized as "limited." The Firm believes that any required quantitative disclosures about a defendant's litigation reserves or

litigation loss exposures are inherently prejudicial. Accordingly, JPMorgan Chase believes that providing only a limited exemption would not be in the best interests of the entity or its shareholders. Please see the "Quantitative Disclosures About Litigation Reserves" section of the attached letter for further discussion.

9. *If you agree with providing a prejudicial exemption, do you agree with the two-step approach in paragraph 11? Why or why not? If not, what approach would you recommend and why?*

   JPMorgan Chase agrees with the two-step approach, as we understand it. If litigation were an entity's only significant contingent liability, that company would not be able to aggregate all contingencies under step one and, therefore, could elect to forgo disclosing "only the information that would be prejudicial to the entity's position" under step two. JPMorgan believes that all quantitative disclosures about significant litigation exposures would be prejudicial and therefore it would, under the two step approach, generally forgo making all such disclosures, including all litigation reserve disclosures in the tabular reconciliation. The Board should also clarify how it expects entities to apply the prejudicial exemption to the tabular reconciliation, as discussed in the "Tabular Reconciliation of Recognized Loss" section of the letter. The Firm also presumes that litigation exposures are the only significant contingency of a number of companies, so we question whether it would in fact be rare that a company would get to step two as noted in paragraph 11.

10. *The International Accounting Standards Board (IASB) continues to deliberate changes to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, but has not yet reconsidered the disclosure requirements. The existing disclosure requirements of IAS 37 include a prejudicial exemption with language indicating that the circumstances under which that exemption may be exercised are expected to be extremely rare. This proposed Statement includes language indicating that the circumstances under which the prejudicial exemption may be exercised are expected to be rare (instead of extremely rare). Do you agree with the Board's decision and, if so, why? If not, what do you recommend as an alternative and why?*

    The Firm does not agree with the underlying presumption in either case (i.e., that circumstances under which the prejudicial exemption may be exercised should be rare or extremely rare). As discussed in the attached letter, JPMorgan Chase believes that many entities subject to litigation would have one or a small number of cases that are clearly more significant than the others. To the extent that plaintiffs are aware of significant developments in a matter that is material to the reporting entity, it would not be difficult to for them to glean information about that entity's responses as they occur. Additionally, we have reviewed several companies' IAS 37 disclosures and it appears that those companies may be invoking either the prejudicial or the practicability exemption with some regularity, as further discussed in the attached letter.

11. *Do you agree with the description of prejudicial information as information whose "disclosure . . . could affect, to the entity's detriment, the outcome of the contingency itself"? If not, how would you describe or define prejudicial information and why?*

    JPMorgan Chase agrees with this description of prejudicial information.

12. *Do you believe it is operational for entities to disclose all of the proposed requirements for interim and annual reporting periods? Should the tabular reconciliation be required only annually? Why or why not?*

    As discussed in the Firm's response to Question 1, we believe that it is operational for entities to disclose the tabular reconciliation of recognized losses and quantitative estimates of actual exposures to loss for both interim and annual reporting periods. Entities should have policies and procedures in place to review contingences at each interim and annual reporting period. However, to be consistent with IAS 37, the tabular reconciliation should be provided for annual reporting periods only, rather than quarterly as proposed in the Exposure Draft.

    On the other hand, JPMorgan Chase believes that it would be difficult for entities to comply with the requirement to disclose the maximum amount of loss. Most companies do not evaluate their legal dockets based on a maximum exposure to loss, so each case would need to be reevaluated based upon this new view. For companies with large dockets or highly subjective litigation, this review would take a substantial amount of time.

13. *Do you believe other information about loss contingencies should be disclosed that would not be required by this proposed Statement? If so, what other information would you require?*

    No.

14. *Do you believe it is operational for entities to implement the proposed Statement in fiscal years ending after December 15, 2008? Why or why not?*

    JPMorgan Chase expects that the Board will receive many comment letters on this Exposure Draft. The FASB will need time to understand the many concerns that are likely to be raised in these letters. In addition, we understand that the Board is planning to hold one or more roundtable meetings and also to conduct field testing. We support these steps and believe that they are reasonable and necessary to arrive at any final standard. Given that we are currently less than six months away from the proposed effective date, the Board should delay that date by at least one year to provide sufficient time for the FASB to complete its process and also to allow companies sufficient time to review their legal dockets and implement new policies and procedures to comply with any final standard.