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May 31, 2013

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

Re: File Reference No. 2012-260

To Technical Director:

SanDisk Corporation appreciates the opportunity to provide our views on the Proposed FASB Accounting Standards Update, *Financial Instruments- Credit Losses (Subtopic 825-15).* We have provided below comments on certain topics of the Proposed Standard that will have significant impacts on our business and operations.

SanDisk Corporation is an innovator and a global leader in flash memory storage solutions. Our products are used in a variety of large markets, and we distribute our products globally through retail and Commercial channels. We are an S&P 500 (NASDAQ:SNDK) and Fortune 500 company, with more than half our product sales outside the United States. As of December 30, 2012, we had total cash, cash equivalents and marketable securities of $5.7 billion.

The following is a summary of our comments, which are detailed further below:

- Separate credit loss models should be retained for loans and debt securities;
- Estimates of credit losses will require increased management judgment and subjectivity, which will be difficult to support and audit;
- Criteria for the practical expedient for instruments classified as FV-OCI is too narrow;
- More clarification on how to group our debt securities into pools;
- The required provisions and recommended disclosures would require significant time and cost to implement.

<u>Separate credit loss models should be retained for loans and debt securities</u>

Given the differences in how credit risk is managed between loans and debt securities, we believe two separate credit loss models should be retained for loans and debt securities. All of our debt securities are high investment-grade fixed income securities. Defaults related to these securities are extremely rare, so there is no historical baseline to incorporate in our estimate of expected credit

losses. In addition, due to the high credit ratings of our fixed income securities, the probability of any contractual cash flow default is extremely low. Unlike loans, in which a company would have a history of loan performance, most companies would not have the same historical information for their debt securities to leverage. Operationally, loans and debt securities are treated very differently. Typically, when our external investment managers analyze current market conditions and reasonably forecast any probable credit deterioration on any of our debt security holdings, the investment manager will more likely than not sell the security holdings and realize any loss from sales immediately. Our view is that there does not necessarily need to be an immediate loss recognized for high grade debt securities upon purchase, and this assessment should be re-evaluated every reporting period. The re-evaluation every period of whether an investment is high grade, and whether there have been similar historical losses for this class of debt security, should be an appropriate early warning measure to determine if recording reserves is necessary.

Estimates of credit losses will require increased management judgment and subjectivity, which will be difficult to support and audit

The Proposed Standard would require an entity to consider reasonable and supportable forecasts and their implications for expected credit losses. Estimating expected credit losses over the life of the underlying debt security would require significant judgment, especially if there are no long-term forecasts available, or different forecasts with conflicting assumptions need to be considered. As discussed above, the Company does not have a historical baseline as a starting point to estimate expected credit losses. Furthermore, economic cycles are often influenced by factors that are hard to model. In addition, it is our understanding that prepayments and the value of collateral also need to be taken into consideration when estimating expected credit losses. However, the Proposed Standard does not prescribe the specific techniques or methodologies to be used, which leads to further subjectivity. All of these factors make it very difficult to implement the credit loss model operationally and for the auditors to review. In addition, too much subjectivity may make our financials and footnotes less meaningful to investors and users of the financial information, especially if different companies use different estimates for the same type of debt securities. It is essentially creating more estimation and volatility in the P&L than needed. For example, there would be a one-time transition impact, and any favorable changes in expectations could result in the reversal of previously recognized losses and potentially even the recognition of gains.

Criteria for the practical expedient for instruments classified as FV-OCI is currently too narrow

Under the Proposed Standard, a company can elect not to recognize expected credit losses on individual financial assets measured at FV-OCI if the fair value of the individual financial asset is greater than or equal to the amortized cost basis, and expected credit losses on the individual financial asset are insignificant. We believe these criteria would prevent many individual financial assets measured at FV-OCI from qualifying for the practical expedient. Many high grade investments would be exempt from the practical expedient because the fair value of the individual financial asset declined below the amortized cost basis, even if the decline in fair value was related to factors other than credit risk, such as interest rates. Furthermore, the fair value of the same financial asset could rise above amortized cost in a subsequent period, leading to a reversal of the previously recognized allowance since the asset now qualifies for the practical expedient. This further highlights the problem with the concept of a credit loss being a measurement issue versus a recognition issue. We believe that high grade investments measured at FV-OCI should qualify for the practical expedient with additional requirements based upon a clear methodology adopted by management, which would be disclosed in the financial statements. Furthermore, the criteria for the practical expedient is to be applied at the individual financial security level, which makes it more

difficult and time-consuming to perform. We believe the analysis should be performed at a pooled level for similar high grade securities and not applied at the individual financial security level to make this more operational for preparers.

More clarification on how to group our debt securities into pools

The Proposed Standard allows for companies with portfolios of debt securities to consider a pool approach to estimate expected credit losses. While we appreciate how this provision eliminates the requirement to evaluate credit losses on a security-by-security basis, the Proposed Standard does not currently include any guidance for how to determine the different pools. We invest in several different types of fixed income securities (U.S. Treasuries, municipal notes and bonds, corporate notes and bonds, asset-backed securities and mortgage-backed securities). We believe management should have the ability to determine pools based upon the different types of fixed income securities that exhibit similar risk characteristics as determined by management and have similar risk of non-payment/default.

The required provisions and recommended disclosures would require significant time and cost to implement

While we understand the Boards' objective to provide financial statement users with more decision-useful information about the expected credit losses on financial assets and other commitments, we feel the proposed amendments and disclosure requirements will result in significant changes to current processes. We would need to obtain the necessary data both internally and externally, develop a consistent model and methodology for determining credit losses, monitor historical information as well as external factors, and adjust the model accordingly, all of which must meet the requirements of our control environment. This would require significant resources, time and cost to implement.

With the revenue and lease convergence projects likely to be finalized and having to be implemented within the same time window, the accounting resources at midsize companies would already be extremely burdened. It is the same technical accounting resources that have to implement the revenue disclosures, lease provisions and financial instrument disclosures. These same resources would also manage and approve the IT changes to systems, ensure everything is SOX compliant and clear all of these changes with the auditors. We believe this additional burden could add approximately 2-4 headcount in the G&A function, which in this environment is difficult.

To alleviate some of the cost of implementation and given the broad impact of the proposed standard, we recommend that the Board require the disclosures to be phased in over a series of years, in order to give companies enough time to implement the proposed guidance, along with all the other required disclosures related to revenue and leases in a cost efficient manner.

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We thank you for providing us with the opportunity to provide our comments on the Proposed Accounting Standards Update and you can reach me directly at (408) 801-1856 to discuss these issues further.

Sincerely,

Donald F. Robertson, Jr.
Vice President and Chief Accounting Officer
SanDisk Corporation

CC: Judy Bruner, Executive Vice President, Administration and Chief Financial Officer