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July 9, 2010

Sir David Tweedie, Chairman
International Accounting Standards Board
30 Cannon Street, First Floor
London, EC4M 6XH
United Kingdom

Re: Exposure Draft ED/2010/4 – Fair Value Option for Financial Liabilities

Dear Sir David:

The Clearing House Association L.L.C. (“The Clearing House”), an association of major commercial banks,¹ appreciates the opportunity to comment on the International Accounting Standards Board (“IASB”)’s Exposure Draft ED/2010/4, Fair Value Option for Financial Liabilities (“Exposure Draft”). The Clearing House generally supports the Exposure Draft and is pleased that the IASB acted on the feedback it received from investors on the IASB’s Discussion Paper DP/2009/2, on Credit Risk in Liability Measurement (“Discussion Paper”) on how to improve accounting for own credit risk.

The Clearing House in its letter dated August 25, 2009, on the Discussion Paper requested that changes in the value of the credit risk for non-trading liabilities such as notes payable, which cannot be routinely realized, should be reported in Other Comprehensive Income or simply just disclosed. While some members of The Clearing House continue to believe that disclosure would have been preferable, all members nevertheless agree with the conclusion reached in the current Exposure Draft, which states that the portion of fair value change due to own credit risk would not affect profit or loss for non-trading liabilities. We agree that the profit or loss volatility caused by own credit does not provide useful information (except for trading liabilities such as derivatives).

¹ The member banks of The Clearing House are Bank of America, N.A., The Bank of New York Mellon, Capital One, N.A., Citibank, N.A., Deutsche Bank Trust Company Americas, HSBC Bank USA, N.A., JPMorgan Chase Bank, N.A., The Royal Bank of Scotland N.V., UBS AG, U.S. Bank N.A. and Wells Fargo Bank, N.A.

Although The Clearing House supports the changes proposed in the Exposure Draft, we do not see the conceptual basis for excluding from the income statement a gain or loss recognized as a result of the extinguishment of a liability. We believe that the gain or loss that is realized on the extinguishment (ultimate settlement) of a liability should be considered a period event and recorded in the income statement for that period. Information on these types of realized gains and losses reflects management's stewardship of company liabilities and should not be reflected in the Statement of Other Comprehensive Income. Our position on this issue has not changed since our letter of August 25, 2009.

Thank you for considering the comments provided in the letter. If you have any questions or are in need of further information, please contact Henry Wysocki, Senior Vice President and Senior Counsel, at (212) 612-9216 (henry.wysocki@theclearinghouse.org) or Gail Haas, Finance and Accounting Specialist at (212) 612-9233 (gail.haas@theclearinghouse.org).

Very truly yours,



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