

JPMORGAN CHASE & CO.

Bret Dooley
Managing Director
Corporate Accounting Policies

July 14, 2014

Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference No. 2014 - 200 – *Proposed Statement of Financial Accounting Concepts - Conceptual Framework for Financial Reporting* – Chapter 8: Notes to Financial Statements

Dear Ms. Cosper:

JPMorgan Chase & Co. (“the Firm”) appreciates the opportunity to comment on the *Proposed Statement of Financial Accounting Concepts - Conceptual Framework for Financial Reporting* – Chapter 8: Notes to Financial Statements (the “ED” or the “framework”) issued by the Financial Accounting Standards Board (“FASB” or the “Board”). As a leading global financial services firm and one of the largest banking institutions in the United States, our comments are focused on improving the disclosure effectiveness of the financial statements of companies of a similar size and breadth.

While we commend the work done to date by the FASB to develop a conceptual framework for disclosures, we are concerned that the attempt to address disclosure shortfalls for private companies in the same framework that is applied to public companies will result in disclosures that are inappropriate for inclusion in the notes to public company financial statements, especially those related to future-oriented information. The Management, Discussion, & Analysis section (the “MD&A”) already includes much of the information that the Board considers for disclosure. Thus, the framework proposed by the FASB could result in such information to be moved out of the MD&A where it receives “safe harbor” protection under the Private Securities Litigation Reform Act, and into the notes to the financial statements, where it does not. To the extent that forward-looking statements do not eventually materialize as expected, inclusion in the financial statements could result in increased litigation-related costs, borne by public company preparers, in order to provide a benefit to private company users, which is not appropriate. We do not believe it is practical and in the best interest of investors to create a single framework, and recommend that the disclosure frameworks be developed separately.

We further believe that the ED does not go far enough to address the issue of disclosure effectiveness for public companies. While we understand that the Board wants the framework to be broad for purposes of completeness and applicability across entities, the framework as drafted does not seem useful in identifying boundaries around the Board’s decision process on potential disclosure requirements, and therefore places the majority of the burden to resolve “disclosure overload” onto the preparer. We acknowledge that the Board has a separate project to address an entity’s disclosure decision process and agree that entities should apply judgments of relevance and materiality in deciding the disclosures to provide in their financial statements. However, the framework that the Board develops to guide its own decision-making should also incorporate concepts of relevance, materiality and usefulness to investors. The Board should play an important role in promulgating

JPMORGAN CHASE & CO.

disclosures that are broadly useful and eliminating those that are no longer relevant or are less useful to investors. Therefore, the Board's disclosure framework should not rely primarily on the preparer's judgments of materiality and relevance in order to determine which disclosures would not be broadly useful.

Moreover, while we agree with the principles that interim financial statements are integral parts of the annual report and serve as an update to the annual report, we do not believe that the Board has applied such principles in the framework. We recommend that the Board evaluate the existing interim disclosure requirements to determine whether the sheer volume of interim requirements violates such principles.

Finally, many topics of financial disclosures for public companies are required to be addressed within the MD&A, regulatory filings (including Basel Pillar 3 disclosures for banks), and in the notes to the financial statements. A key component of any effort to improve disclosure effectiveness should include the elimination of redundant disclosures reported in multiple sections of the same report, or in complementary reports. We continue to believe that a joint project with the FASB, SEC, regulators and constituents will be required to meet the FASB's objective of improving disclosure effectiveness. This effort should include the intent to focus and prioritize disclosures on 1) the material risks of the entity, 2) the information most useful to investors for making credit and investment decisions, 3) the elimination of disclosure redundancies, and 4) understanding which information is better suited within the MD&A as opposed to the notes to the financial statements, given that information provided within the MD&A is afforded protections by the Private Securities Litigation Reform Act.

The Appendix provides the Firm's responses to the FASB's relevant Questions for Respondents. The responses to certain questions that address related topics have been combined.

We appreciate the opportunity to submit our views. We would be pleased to discuss our comments with you at your convenience. If you have any questions, please contact me at 212.648.0404 or Laurin Smith at 212.648.0909.

Sincerely yours,



Bret Dooley

JPMORGAN CHASE & CO.

Appendix – Responses to Questions for Respondents

Question 1: Should financial statements of employee benefit plans be excluded from the scope of this chapter of the conceptual framework?

We agree that the financial statements of employee benefit plans should be excluded from the scope of this chapter of the conceptual framework. The financial statements of employee benefit plans and their primary users are different from other public and non-public entities and therefore, the disclosure requirements for employee benefit plans should be considered separately.

Question 3: Do the concepts in this chapter encompass the information appropriate for disclosure in notes to financial statements that would assist resource providers in their decision making? Are there concepts that should be added or removed?

Question 4: Are there additional concepts needed to identify information that is unsuitable for requirement by the Board in notes to financial statements even though that information would be consistent with the purpose of the notes?

We do not believe that the framework provides sufficient substantive limitations on what the Board should consider for inclusion in the notes to the financial statements. Indeed, rather than defining the scope of the notes (as opposed to the MD&A or Basel Pillar 3 disclosures), the framework potentially requires an expansion of footnote disclosures beyond today's requirements for topics that are better addressed in the MD&A or other reports. It is also unclear how some of the framework requirements or lack thereof would result in improving disclosure effectiveness.

For example, we disagree with the requirements outlined in paragraph D52 to expand the event-related disclosures. While we agree that information about existing circumstances should be assessed for disclosure, we strongly disagree that footnote disclosures should be expanded to include *potential* litigation and *suspected* violations of statutes, judicial requirements, regulations, or contractual terms (emphasis added). Discussion of potentialities is not appropriate for inclusion in the audited financial statements; potential future events are already covered in public company disclosures in Risk Factors and, depending on likelihood and materiality, in the MD&A. Moreover, since Federal securities laws and SEC regulations do not provide "safe harbor" to forward-looking information disclosed in the notes to the financial statements, the Board's proposal would run counter to the principle outlined in paragraphs D24 and D25 that the framework is not intended to require entities to disclose the types of future-oriented information with the greatest potential for negative consequences to a reporting entity.

We recommend that event-specific footnote disclosures (e.g. litigation) should not be expanded beyond current requirements of Regulation S-K Item 103 and current GAAP requirements, which generally only require disclosures of certain factual information. Additional disclosures as contemplated under the ED could be prejudicial, provide a plaintiff with information regarding litigation theory, or undermine the attorney-client privilege and attorney work product doctrine.

In addition, we disagree with the requirement to disclose significant uncertainties in the entity's decisions not to recognize assets, liabilities, equity, revenues, expenses, gains or losses. While we agree that users need to be informed of accounting policies of a company and certain accounting

JPMORGAN CHASE & CO.

treatment of material transactions where such treatment may not be apparent from the accounting policy disclosure, we do not believe that disclosing the “decisions” and “uncertainties” referred to in paragraphs D48, D52d and D56 would be useful to users. The considerations for judgmental accounting decisions such as whether to consolidate an entity are often event-specific and entity-specific, and so it would be difficult for users to be able to compare accounting decisions across various institutions. We note that public companies are already required to provide a discussion of critical accounting estimates to focus a financial statement user on the most important estimates and judgments made in the preparation of the financial statements. As a result, we recommend that paragraphs D48, D52d, D56 be revised to eliminate such potential requirements.

It is also unclear how some of the requirements in paragraph D38 would improve disclosure effectiveness. For instance, information regarding “social perceptions,” “alternative measurements,” “availability of trained workers” would likely result in a meaningful volume of boilerplate disclosures that would provide little benefits to the users. In addition, paragraph D38 lists other types of potential disclosures, such as the forecasted amounts and timing of future cash flows in probability-weighted estimates, as well as ranges of possibilities, and the most positive and negative outcomes. While often associated with contingent liabilities or fair value disclosures, these requirements could also broadly apply to other management estimates for which such information would be unduly burdensome to prepare and for which there already exist very detailed disclosure requirements that provide much more investor-useful information (e.g. the credit quality disclosures). The framework should incorporate additional limitations on the potential scope of disclosures, or reference the circumstances in which such limitations would be appropriate.

Lastly, we acknowledge that the Board has a separate project to address an entity’s disclosure decision process. While entities should apply judgments of relevance and materiality in deciding the disclosures to provide in their financial statements, the framework that the Board develops to guide its own decision-making should also incorporate limits based on relevance and materiality. While we understand that the Board wants the framework to be broad for purposes of completeness and applicability to all types of entities, the framework does not seem useful in identifying boundaries around the Board’s decision process on potential disclosure requirements and therefore places the majority of the burden to resolve “disclosure overload” onto the preparer. The Board should play an important role in promulgating disclosures that are broadly useful and eliminating those that are no longer relevant or are less useful to investors.

Question 5: Do the decision questions in Appendix A identify the information appropriate for the Board to consider requiring for disclosure when setting standards related to line items and other past events and current circumstances and conditions that can assist resource providers in their decision making?

We believe that the scope of the information identified by the questions in Appendix A is too broad. Certain decision questions could result in disclosures that are not investor-useful and are inconsistent with the overall framework objectives to improve disclosure effectiveness and reduce redundancies.

For example, question L1 includes a consideration of whether a user could reasonably be expected to find adequate information from other sources in order to further understand how an entity’s prospects for cash flows may be affected. While we agree with this concept, we do not believe that the Board has applied it throughout the framework. For instance, the Board requires disclosures of certain future-oriented information already provided within the MD&A for public companies, which is a more suitable location than in the notes. See our response to questions # 7 and # 8 for further details.

JPMORGAN CHASE & CO.

We also disagree with requiring disclosures that involve sensitivity analyses, which are inherently forward-looking, as described within question L5. We question whether it is possible for such disclosures to be quantitatively useful to financial statement users because of the number of portfolio-specific economic variables and assumptions impacting such disclosures, and thus, we also question whether the benefits would be commensurate with the significant costs of preparation. In addition, providing forward-looking information within the notes to the financial statements (rather than in the MD&A) could result in the negative consequences that the Board would like to avoid as described within paragraph D23.

Lastly, we believe that question L15, which requires disclosure of alternative measurements and an indication of magnitude of the difference between the reported measurement and the alternative measurement (or the amount of the alternative measurement) may result in disclosures that are not investor-useful. Alternative measurements, by definition are secondary measurements, and thus often do not have the same level of widely-accepted inputs and measurement methods as primary measurements, and, also by definition, are measurements rejected by management for a variety of reasons. Therefore, the discussion should also provide that a higher threshold for proving usefulness should apply to disclosures of alternative measurements.

Question 6: Does the discussion in paragraphs D43-D50 identify the information appropriate for the Board to consider when setting standards related to information about the reporting entity?

The discussions in paragraphs D43 – D50 should more closely consider whether such information would be useful to users or whether it would be better disclosed outside of the notes to the financial statements. While restrictions, related party relationships, and numerous legal entities are characteristics shared by many large organizations, it is unclear how such information (other than in unusual circumstances) would be used in credit and investment decisions. Such requirements may also be redundant with current SEC Regulation S-K requirements, including, for example, that certain related party information is required to be included in proxy statements. We therefore do not see the incremental value of also providing such information in the notes to the financial statements.

Question 7: Will the concepts related to future-oriented information (paragraphs D22-D31) result in disclosures that are appropriate for the notes? If not, what types of information should be included in or excluded from consideration for disclosure in the notes?

Question 8: Do the concepts in this chapter appropriately distinguish the types of information that are appropriate for the notes from the analysis management provides in other communications?

The attempt to address disclosure shortfalls for private companies in the same framework applied to public companies will result in disclosures that are inappropriate for inclusion in the notes to public company financial statements, primarily related to future-oriented information. While the MD&A already includes much of the information that the Board considers for disclosure, this framework seems to require such information be moved out of the MD&A where it has the “safe harbor” protections discussed above, and into the notes to the financial statements. To the extent that forward-looking statements do not eventually materialize as expected, inclusion in the financial statements could result in increased litigation-related costs, borne by public company preparers, in order to provide a benefit to private company users, which is not appropriate. The Board should not require unnecessary costs to public company preparers given that their users already have the medium for receiving the desired information. Therefore, we ask that the Board reconsider its position as described

JPMORGAN CHASE & CO.

in paragraph D21. The disclosure frameworks for public companies and private companies should be developed separately. The issues inherent in public company and private company disclosures differ and cannot be solved in a single framework, as the two types of companies are subject to different regulatory frameworks and reporting requirements.

Further, many elements of financial information are required to be reported within both the MD&A and in the notes to the financial statements for public companies. A key component of any effort to improve disclosure effectiveness should include the elimination of disclosures that are required to be reported in multiple sections of the same report, or required in other public disclosures. We continue to believe that a joint project with the FASB, SEC and constituents will be required to meet the FASB's objective of improving disclosure effectiveness. In addition, the effort should also consider information that is available elsewhere, e.g., disclosures that are required for regulatory reporting.

With respect to the specific future-oriented information considered for disclosure, we believe that the framework could more closely consider the usefulness and appropriateness of the suggested requirements. As noted in paragraphs D26 to D31, the Board would potentially require at least three types of future-oriented information to be disclosed:

- The first type involves information about estimates and assumptions used as inputs to measurements that reflect a market perspective. While some of this information is consistent with certain current GAAP requirements (such as under ASC 820), we believe it is important for the Board to consider the usefulness of such detailed information, and how financial statement users are currently using such information.
- The second type of future-oriented information considered for disclosure involves information about existing plans and strategies related to matters under management's control. While we agree with the example provided in paragraph D28, which is to disclose management plans as of the reporting date for the sale of a long-lived asset, we believe that the scope should be limited to only imminent plans and strategies, as imminent plans have the most predictive usefulness. Longer term plans and strategies at some point become forecasts of uncertain future events, which would be inappropriate for disclosure. In addition, it is unclear whether the Board plans to limit the disclosure about existing plans and strategies to only non-financial assets and businesses, or whether the disclosure would apply to plans and strategies related to financial assets. We do not believe it is the FASB's intent to require disclosures of market-making or risk-management activities related to portfolios of securities classified as trading or available for sale, but the current scope would not prevent such consideration.
- The third type of information involves disclosing the effect of specified future changes in existing conditions on specific line items or on the entity as a whole within the financial statements. We disagree with requiring sensitivity disclosures within the footnotes. As discussed above, we believe that forward-looking information is better suited within the MD&A. In addition, similar to the fair value information discussed above, we believe that the Board has missed the opportunity to consider the usefulness of existing sensitivity disclosures, and whether they are currently being used in investors' quantitative analysis. We believe that a closer look at the existing use of sensitivity disclosures may result in the Board eliminating them as a specifically-considered disclosure in the framework.

JPMORGAN CHASE & CO.

Question 9: Are the concepts related to disclosure requirements for interim periods (paragraphs D60-D71) appropriate? If not, are there concepts that should be added or removed?

We agree with the principle outlined in paragraphs D60 to D62 that interim financial statements are integral parts of the annual report and serve as an update to the annual report. However, the Board then contradicts this principle by specifying in paragraph D67 certain examples for which interim disclosures would generally be required. We recommend that the Board does not list out specific examples for interim reporting but allow entities to apply the principles as outlined in paragraphs D60 to D62 to determine what updates or significant changes need to be provided within the interim financial statements.

We also recommend that the Board evaluate the existing interim disclosure requirements to determine whether the sheer volume of interim requirements violates the principle that the interim financial statements are not designed to be full sets of general purpose financial statements. Given the recent expansion of interim requirements, we recommend that the Board consider whether the principle in D60 to D62 is sufficient to prevent a similar expansion in the future.

Question 10: If no disclosure guidance for a transaction, event, or line item is specified in U.S. GAAP, how will an entity consider the nonauthoritative guidance in this chapter?

We believe that preparers will generally refer to the framework in the absence of specific disclosure guidance.