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Bret Dooley
Managing Director
Corporate Accounting Policies

February 26, 2016

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

Re: Proposed Accounting Standard Update – Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement

Dear Ms. Cosper:

JPMorgan Chase & Co ("JPMorgan Chase" or "the Firm") appreciates the opportunity to comment on the Proposed ASU *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* (the "ED") issued by the Financial Accounting Standards Board ("FASB" or the "Board"). JPMorgan Chase supports the FASB's efforts to improve the effectiveness of financial statement disclosures through its broader Disclosure Framework project (the "Framework"), and specifically supports the Board's efforts to apply the Framework to fair value measurement disclosures in order to evaluate the effectiveness of those disclosures.

While we support the Board's efforts, we have significant concerns with the additional disclosures proposed by the Board related to the unrealized gains and losses for Level 1 and Level 2 fair value measurements as well as the weighted average and time period of significant unobservable inputs used in Level 3 instruments, specifically for derivatives. We question the purpose and usefulness of the disclosures, and do believe the proposed disclosures fail the cost-benefit analysis. Our concerns are summarized below.

<u>Expanded disclosures on unrealized gains and losses</u>

We strongly disagree with the Board's proposal to expand the disclosure of unrealized gains and losses related to assets and liabilities held at the reporting date to include instruments classified in Level 1 and Level 2.

Paragraph BC 20 of the ED notes that some users indicated that the disclosure of unrealized gains and losses held at the end of the reporting period for Level 1 and Level 2 instruments provides information about the "volatility of fair value measurements", however it is unclear whether this "volatility" refers to measurement uncertainty at the reporting date, to the sensitivity to future changes in unobservable inputs, or indeed to some other concept. If the proposed disclosures are meant to provide insight into the sensitivity to future changes in unobservable inputs, we do not believe that such purpose is consistent with the decisions in BC 29-33. Alternatively, if the proposed disclosures are meant to provide information about the magnitude of the range of inputs over time, we are uncertain as to how such information could be gleaned from realized versus unrealized revenues. The realized/unrealized relationship is driven primarily by client-driven portfolio turnover and the characteristics of margin requirements (i.e. whether margin

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exchanged is considered to be collateral for a position or settlement of a position), and not by the volatility of fair value measurement inputs.

In addition, BC 26 seems to contradict the need to distinguish between realized and unrealized losses, as that paragraph correctly concludes that there is more certainty about Level 1and Level 2 fair value measurements, and therefore that certain additional disclosures for Level 1 and Level 2 instruments would not be as useful as for Level 3 instruments. Based on the difference in certainty among the levels, and on the lack of clarity in the basis for the proposed disclosures, we question the purpose and the usefulness of an expansion of unrealized gain and loss information.

Further, based on our experience with the current disclosure requirement for unrealized gains and losses for instruments classified in Level 3, the proposed incremental disclosures are estimated to impose significant incremental operational burdens and costs. The process to derive the current disclosure requirement for unrealized gains and losses for instruments classified in Level 3 continues to be complex and costly, even given the relatively limited volume of such instruments. The expansion of this effort across Level 1 and Level 2 is exponentially more complex given the breadth, volume, and turnover of such instruments. Because existing processes were designed for specific disclosure purposes and are not useful to internal risk management, existing infrastructures are not scalable to these increased volumes. Therefore, we would expect that implementation would require significant cost and time to develop the necessary infrastructure for financial services firms, which would not be justified by usefulness.

Weighted Average and time period used disclosures

We currently disclose the significant unobservable inputs used in Level 3 fair value measurements, the range of values for those inputs and, for certain instruments, the weighted averages of such inputs. We do not currently provide the weighted average disclosure for stand-alone derivatives or for derivatives embedded in other instruments. Given the nature of derivative instruments, we do not believe there exists a meaningful way to calculate the weighted average, as distorted results can occur in weightings using either fair values or notional amounts.

For example, a newly issued credit derivative with a zero fair value may have a very high level of exposure/sensitivity to credit correlation; a weighting by fair value would ascribe a low weighting to that derivative, whereas a notional weighting methodology might not. Similarly, an equity option with a large notional may have a low exposure to equity volatility given the strike price of the option, but a weighting based on notional amount would ascribe a high weighting to that option.

Further, if derivative fair values fluctuate between assets and liabilities, we do not understand how any meaningful analysis could be undertaken for disclosures weighted using fair values. Therefore, we ask the Board to exclude stand-alone and embedded derivatives from the scope of the weighted average disclosures.

We also question the perceived benefit of the proposed disclosure of the time period used to develop significant unobservable inputs. The illustrative example seems to suggest a desire to differentiate inputs derived from current year versus prior year(s) observations, which would seem to result in the majority of the disclosure time periods to reflect solely the current year. In addition, the typical aggregation by asset class would obscure any marginal information content that would be possible in a cusip by cusip disclosure. Further, as the time period is not useful from an internal valuation or risk management perspective for a point in time estimate, this information is not currently captured, and would require significant cost to manually aggregate or systemically capture and validate.

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We appreciate the opportunity to submit our views. We would be pleased to discuss our comments with you at your convenience, as well as to discuss with you in more detail the operational complexities associated with the proposed disclosure additions.

Sincerely yours,

Bret Dooley