JPMORGAN CHASE & CO.

Bret Dooley
Managing Director
Corporate Accounting Policies

November 28, 2016

Ms. Susan M. Cosper
Technical Director
File Reference No. 2016-340
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standard Update – Receivables–Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities (the "proposed ASU")

Dear Ms. Cosper:

JPMorgan Chase & Co ("the Firm") appreciates the opportunity to comment on the *Receivables–Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt* Exposure Draft issued by the Financial Accounting Standards Board ("FASB"). The Firm appreciates the FASB's efforts to improve the accounting for callable debt securities purchased at a premium and strongly supports the proposed ASU.

Current GAAP results in excess interest income recognition in the period between purchase date and call date (the "non-call period"), which is then reversed as a loss on call date if the security is called. The proposed ASU would reduce that excess premium amortization and eliminate the loss, thereby aligning the accounting with the economics of investing in premium callable debt securities.

The Appendix provides the Firm's responses to the FASB's relevant Questions for Respondents in more detail.

We appreciate the opportunity to submit our views, and would be pleased to discuss our comments with you at your convenience.

Sincerely yours,

Bret Dooley

Bret Dooley

JPMorgan Chase & Co.

Appendix – Responses to Questions for Respondents

<u>Question 1:</u> Do you agree that premiums on Purchased callable debt securities should be amortized to the earliest call date? Please explain why or why not.

Yes, we agree that premiums on purchased callable debt securities should be amortized to the earliest call date. Premiums and discounts would thus accrue consistently on a yield-to-worst basis (i.e. the lower of the yield-to-call or yield-to-maturity). The accounting would then conform to the market perception that premium valuations relate to the non-call period of a debt security, consistent with the yield-to-worst concept employed by market participants and regulators.

<u>Question 2</u>: How much time would be needed to implement the proposed amendments? Should entities other than public business entities be provided more time? Should early adoption be permitted?

The Firm could implement the proposed amendments within one or two quarters, and encourages the Board to permit early adoption for those entities able to do so. Bank portfolios have significantly increased their exposure to municipal securities in recent years due to the low short-term interest rate environment, and due to their high credit quality and low historical default probabilities. We therefore request the FASB to provide for a timely improvement in the accounting for these investments.

<u>Question 5:</u> Do you agree with the proposed transition method and disclosures in paragraph 310-20-65-1(c)? Please explain why or why not.

We agree that the change in accounting principle should be applied through a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the first reporting period in which the change is effective. The proposed transition method provides a transparent and effective method to communicate the impact of the change, and is operationally feasible.