April 2, 2009

Comments on the "Financial Crisis Advisory Group Seeking Input from Constituents"

Japanese Bankers Association

The Japanese Bankers Association (JBA) would like to express our gratitude for this opportunity to make a comment to the Financial Crisis Advisory Group.

We hope that our comments will be of some assistance to further discussions regarding this topic.

○ Concerning Question 4

Question 4 Most constituents agree that the current mixed attributes model for accounting and reporting of financial instruments under IFRS and U.S. GAAP is overly complex and otherwise suboptimal. Some constituents (mainly investors) support reporting all financial instruments at fair value. Others support a refined mixed attributes model. Which approach do you support and why? If you support a refined mixed attributes model, what should that look like, and why, and do you view that as an interim step toward full fair value or as an end goal? Whichever approach you support, what improvements, if any, to fair value accounting do you believe are essential prerequisites to your end goal?

We agree that a review of current standards is necessary for reducing the complexity of financial instruments accounting standards. However, the classification of financial instruments needs to comply with the management intent and that accounting treatment should comply with such classification. The reason is because the management intent should be reflected in the results of financial statements.

Therefore, our proposal is that, besides the simplification or relaxing of tainting rules applied to "held-to-maturity" investments, the mixed attributes model should not be revised as of this moment. Furthermore, in the short-term, progress should be made on the convergence of financial instruments accounting standards as part of the efforts to reduce complexity.

Another possible approach for reducing complexity is reporting all financial instruments at fair value. However, this should be considered as a "medium- and long-term" project, after having conducted sufficient analysis of the effects of fair value measurements of all instruments.

Additionally, in the report made to Congress by the U.S. Securities and Exchange Commission, it says that "Many investors feel that clear disclosure of the inputs and judgments made when preparing a fair value measurement is useful. While a move to require fair value measurement for all financial instruments would likely reduce the operational complexity of U.S. GAAP, the use of fair value measurements should not be significantly expanded until obstacles related to such reporting are further addressed." Thus we should not immediately move to fair value measurements for all instruments.

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