

JPMORGAN CHASE & CO.

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October 29, 2008

Office of the Comptroller of the Currency
250 E Street, S.W.
Mail Stop 1-5
Washington, DC 20219
Attention: Docket Number OCC-2008-0014

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Attention: Docket Number R-1329

Mr. Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th St., N.W.
Washington, D.C. 20429
Attention: Comments/Legal ESS: RIN #3064-AD32

Regulation Comments, Chief Counsel's Office
Office of Thrift Supervision
1700 G. Street, N.W.
Washington, D.C. 20552
Attention: OTS-2008-0010

Re: Joint Notice of Proposed Rulemaking: Capital Adequacy Guidelines; Deduction of Goodwill Net of Associated Deferred Tax Liability; OCC Docket Number OCC-2008-0014; Federal Reserve Docket Number R-1329; FDIC RIN #3064-AD32; OTS Docket Number OTS-2008-0010

Ladies and Gentlemen:

JPMorgan Chase & Co. ("JPMorganChase") is pleased to provide comments on the joint notice of proposed rulemaking identified above (the "Proposal") issued by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System,

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the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision (collectively, the "Agencies"), which would permit banking organizations to reduce the amount of goodwill deducted from Tier 1 capital by the amount of any deferred tax liability ("DTL") associated with that goodwill.

JPMorgan Chase applauds the revision set forth in the Proposal. JPMorgan Chase and other industry participants support the Agencies' conclusions that the proposed change appropriately reflects a banking organization's maximum exposure to loss if goodwill becomes impaired or is derecognized under U.S. GAAP.

A banking organization's DTL related to tax deductible goodwill is equal to the accumulated tax savings generated by the tax deductions claimed, which are not recognized in earnings or equity under U.S. GAAP. To balance the cash generated by these savings, a deferred tax liability is recorded. The DTLs are not liabilities owed to any entity and as such represent cash available to depositors and creditors. The capital qualifying nature of a DTL is supported by the fact that if the corresponding goodwill becomes impaired, Tier 1 capital would increase, as the pretax goodwill impairment expense would be reduced by a decrease in the income tax provision equivalent to the associated deferred tax liability under U.S. GAAP.

The Agencies also requested comment as to whether similar treatment should be extended so as to permit additional intangible assets acquired in a taxable business combination to be deducted from Tier 1 capital net of associated DTLs. JPMorgan Chase strongly supports this extension. Banking organizations should be allowed to deduct any intangible assets on an after-tax basis regardless of the manner acquired. Intangibles created in taxable business combinations can have associated deferred tax liabilities due to differences between book and tax valuations and amortization periods. These DTLs, as in the case with DTLs from nontaxable business combinations, would reduce the impact to capital for subsequent impairment of the intangible asset. Common examples of other intangible assets acquired in a taxable business combination include core deposits and credit card relationships.

In conclusion, the Proposal addresses the fact that under U.S. GAAP, retained earnings do not reflect the reduced taxes and increased cash flows generated by tax deductible goodwill amortization. We agree with the Agencies that the Proposal is appropriate and consistent with the policy considerations underlying the regulatory capital framework. We also request that the Agencies confirm that banking organizations may implement the Proposal commencing with the December 2008 reporting period. Moreover, JPMorgan Chase strongly supports extension of the proposed treatment for goodwill to other intangible assets acquired in a taxable business combination that currently are not deducted from Tier 1 capital net of associated DTLs.

Very truly yours,

