



August 12, 2010

Financial Accounting Standards Board
401 Merritt Seven
PO Box 5116
Norwalk, CT 06856-5116
Attn: Technical Director
(File Reference 1810-100)

Thank you for providing the opportunity to comment on the Proposed Accounting Standards Update entitled “Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities”, issued on May 26, 2010 (hereafter referred to as the “Proposed ASU”).

Although Mind the GAAP strongly supports the Board’s objective “to provide financial statement users with a more timely and representative depiction of an entity’s involvement in financial instruments, while reducing the complexity in accounting for those instruments”, we believe that the proposed guidance falls short of achieving this goal.

Our biggest concern with the Proposed ASU is that it appears to lack an overarching set of principles that provide a comprehensive framework in accounting for financial instruments. For example, the Proposed ASU states that financial instruments should be subsequently measured at fair value, but then provides numerous and significant exceptions this principle. We’re uncertain how this approach will provide users of the financial statements relevant, decision-useful information about an entity’s exposure to financial instruments or reduce operational complexity.

In this letter, we are suggesting an alternative, principles-based framework in accounting for financial instruments that, in our opinion, better achieves the Proposed ASU’s stated objectives. We believe that our proposed model:

- Represents a consistent, comprehensive framework for classifying, recognizing, and measuring financial instruments that reduces the complexity in accounting for those instruments, and

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- Will provide relevant, reliable, and decision-useful information to the primary users of financial statements.

If you have any questions or require further information regarding the views expressed in this letter, please contact Scott Ehrlich, President and Managing Director of Mind the GAAP, at +1 (773) 732-0654 or by e-mail at sehrlich@mindthegaap.com.

Executive Summary

Mind the GAAP has developed an alternative framework in accounting for financial instruments, which is briefly summarized below.

- ❖ We propose that reporting entities measure **all financial assets** at fair value with changes in fair value recorded in other comprehensive income, or OCI. Some other highlights of our model include the following:
 - o Financial assets should be initially measured at transaction price.
 - If transaction price exceeds fair value, this difference (presumably, transaction fees) should be expensed in net income, except in the unusual situation that there is a valid business reason for the difference (e.g., the transaction price includes guarantees or services from the seller), in which case other GAAP should apply.
 - In the event that fair value exceeds transaction price, this difference should be recorded in OCI.
 - o We believe that interest on originated or purchased loans, investments in debt securities, and similar instruments should be accrued and recognized as income only when collectability of all contractual amounts due under the loan – i.e., principal and interest – is deemed “probable”.
 - o As discussed in more detail later in this letter, we feel that our proposed model eliminates the need for specific impairment guidelines, which would greatly simplify the accounting for financial instruments. We do believe, though, that reporting entities should be required to include a tabular disclosure in the footnotes that, in part, identifies indicators of impairment

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for at-risk instruments (e.g., number of days delinquent, historical write-off percentages for homogenous pools of originated loans, etc.).

- ❖ We further believe that **financial liabilities** generally should be measured at the amount of the obligation due, net of any unamortized premiums or discounts. Said another way, we do not believe that measuring financial liabilities at fair value provides relevant information to financial statement users, except that:
 - o We would be amenable to a “fair value option” for financial liabilities. That is, reporting entities could elect, on an irrevocable basis, to measure certain financial liabilities at fair value with changes in fair value recorded in OCI, so long as:
 - Financial liabilities measured at fair value are separately presented on the balance sheet, and
 - The reasons for the fair value election are properly disclosed.
 - o Freestanding derivative liabilities and embedded derivative liabilities that must be bifurcated (as required by existing US GAAP literature) should always be measured at fair value with changes in fair value recorded in OCI. Alternatively, management could make an irrevocable election at the inception of the derivative contract to report changes in fair value of derivative liabilities – and assets for that matter – in net income if those derivatives are designated as a hedge of an exposure whose effects are also recorded in earnings.

Mind the GAAP also has feedback on other aspects of the Proposed ASU.

- ❖ **Accounting for loan commitments.** We disagree with the proposed requirement to measure loan commitments at fair value. Instead, we believe that a single footnote that summarizes an entity's outstanding loan commitments at the balance sheet date, presented in meaningful groupings, provides more decision-useful information to financial statement users.
- ❖ **Equity method of accounting.** We also oppose the newly introduced condition that to qualify for the equity method of accounting, reporting entities must determine whether the operations of an investee are related to the entity's consolidated business. We believe this requirement will be difficult to implement in practice. More importantly, we see no additional benefit to financial statement users

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in changing the types of investees that should be accounted for under the equity method.

- ❖ **Statement of Comprehensive Income.** We are generally supportive of the proposals contained in the companion Proposed Accounting Standards Update entitled “Statement of Comprehensive Income”. In particular, we find value in bestowing OCI greater distinction in a continuous statement that reports both components of net income and OCI with equal prominence. We do have some suggestions, though, for ensuring that the elements of OCI are meaningfully disaggregated on the face of the new statement.
- ❖ **Hedge Accounting.** We support the Board’s proposed changes to hedge accounting. We believe that such changes will continue to provide financial statement users with relevant and reliable information, yet be far easier for preparers to operationalize. Moreover, we feel that the proposed changes will allow reporting entities to more transparently reflect economic arrangements that mitigate a company’s exposure to risk but that under present accounting requirements would not qualify for hedge accounting.

Detailed Commentary

Alternative Framework in Accounting for Financial Instruments

As noted earlier in this letter, we have developed an alternative model in accounting for financial instruments. We feel that our approach would provide decision-useful information to investors and creditors, while reducing complexities for both financial statement users and preparers alike.

Our proposed framework is based on the following four presumptions:

- ❖ Users of the financial statements desire information about the **current fair values** of *financial assets* as of the financial reporting date. This is true even if the reporting entity has no plans to liquidate or sell the financial asset in the foreseeable future. Simply, a typical investor or creditor seeks to evaluate the current and future economic prospects of the reporting entity. Such financial statement users would find it helpful to know what the financial assets of a company are presently worth in the marketplace for purposes of that analysis.

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- ❖ In contrast, financial statement users likely are more interested in the **contractual or maturity amount** of *financial liabilities* than their current fair values. Reporting the fair value of a financial liability may be misleading, especially when the reporting entity has no capability or intent to settle the liability at that amount. Said another way, a fair value measurement may mischaracterize or inaccurately reflect the amount of resources necessary for the reporting entity to settle its obligations.
- ❖ Reporting changes in fair value as a component of net income might be more confusing than helpful to the financial statement users. In fact, it is our understanding that many users often “back out” revaluations when evaluating the reporting entity’s results of operations. Therefore, fair value remeasurements should be presented in a single location within the Statement of Comprehensive Income, in enough detail for financial statements to assess their impact (if any) on the current and future prospects of the reporting entity.
- ❖ It is in everyone’s best interest – users and preparers – to develop a model for financial instruments that is easy to understand, operational, and cost effective. The model also should ensure that the financial effects of holding financial instruments are transparent to users of the financial statements and allow for comparability among different reporting entities.

We acknowledge that we have not thoroughly vetted these four assumptions with the primary users of financial statements, but encourage the Board to do so during the redeliberation phase of its financial instruments project.

Nonetheless, we believe that the our alternative approach in accounting for financial instruments forms a better framework for classifying, recognizing, and measuring financial instruments than the model set out in the Proposed ASU.

Some further information regarding our proposed framework, as well as our concerns with the model set out in the Proposed ASU, are described on the following pages.

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Alternative Framework Proposed by Mind the GAAP	Concerns with Proposed ASU Proposals
Initial Measurement of Financial Assets We propose that financial assets be initially measured at transaction price. In most cases, transaction price should equal the fair value of the financial asset, as measured under ASC Topic 820. If the transaction price happens to exceed the fair value of the financial asset, this difference presumably represents “hidden” transaction costs that should be expensed as incurred in net income. However, we acknowledge that there might be other valid business reasons for the incremental difference – for instance, the transaction price may include guarantees or other services to be received from the seller. In these instances, other GAAP (such as ASC Topic 815 or ASC Topic 460) should be used to account for all or part of the differential. If the fair value of the financial asset exceeds transaction price, the difference should be recorded in OCI. For example, if an entity purchases a loan at a discount in a distressed sale, the “Day 1” gain should be reported in OCI to be consistent with the accounting of other changes in fair value under our proposed alternative framework. Refer to the section entitled <i>Subsequent Measurement of Financial Assets</i> below for more details.	
	We are concerned that the Proposed ASU provides inconsistent guidance around the initial measurement of financial assets, especially related to the accounting for transaction fees. Of note, transaction fees associated with certain financial assets would be expensed as incurred while fees associated with other financial assets would be deferred and amortized to net income as a yield adjustment. We do not believe that the accounting for transaction costs should be dependent on whether the related financial asset is accounted for at fair value through earnings, fair value through OCI, or amortized cost. We instead would prefer one overall, comprehensive model applicable to all types of transaction costs for purposes of consistency and comparability.

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Alternative Framework Proposed by Mind the GAAP	Concerns with Proposed ASU Proposals
Subsequent Measurement of Financial Assets We propose that all financial assets be subsequently measured at fair value, with changes in fair value recorded in OCI (hereafter referred to as the “FV-OCI” approach), including those investments that can be redeemed only for a specified amount (e.g., Federal Reserve Bank stock). We would also extend our model to short-term receivables. However, we would allow companies to consider whether recognizing such amounts at amortized cost, net of an allowance for credit impairments, would closely approximate a fair value measurement. In those cases, reporting entities would be allow to report short-term receivables at amortized cost, net of an allowance for credit losses, as a practical expedient (this election would need to be disclosed). Fair value is a decision-useful, relevant measurement attribute of financial assets. We believe that capital providers and other financial statement users desire information about the current market value of an entity’s financial assets and are less concerned about other measures, such as amortized cost basis. We believe that our proposal eliminates complexity since there will be just one measurement approach for all financial assets. We also believe that our proposal is operationally possible, since most reporting entities already must either measure or disclose the fair value of their financial assets whenever financial statements are presented under paragraphs 2 and 5 of ASC Section 820-10-50 and ASC Section 825-10-50 (notwithstanding paragraphs 3 and 16 of that section). Lastly, we feel that by reflecting all fair value changes in OCI, we can address concerns financial statement users and preparers might have about fair value changes introducing unnecessary volatility into net income. Instead, under our proposed approach, all fair value movements would be captured in a single place – i.e., as a component of OCI – in the Statement of Comprehensive Income.	
We are concerned that, if enacted, the subsequent measurement guidance in the Proposed ASU would cause confusion for the primary users of financial statements. Under the proposed guidance, originated loans and investments in debt securities might be reported at fair value with changes in fair value reported in net income (hereafter referred to as the “FI-NI” approach) or FV-OCI, depending on facts and circumstances. Equity securities, however, would always be reported at FV-NI. These conflicting guidelines would make it challenging for financial statement users to aggregate all fair value movements in a single place. In addition, the approach set out in the Proposed ASU will cause difficulties for financial statement users in evaluating the effects of fair value measurements between different reporting entities. To demonstrate, assume that two different reporting entities hold identical financial assets. Under the guidelines in the Proposed ASU, one entity may elect FV-OCI for the subsequent measurement of certain instruments, while the other entity may default to FV-NI for all financial assets. As a result, one entity might end up reporting higher or lower net income simply because of an accounting election, even though both companies are otherwise comparable. We do not believe that this outcome is desirable or helpful to the primary users of the financial statements.	

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Alternative Framework Proposed by Mind the GAAP	Concerns with Proposed ASU Proposals
Accounting for Interest Income We propose that the recognition of interest income remain somewhat consistent with current US GAAP. Specifically, reporting entities should recognize interest income on originated or purchased loans, investments in debt securities, and similar instruments only when collectability of all contractual amounts due under the loan (that is, principal and interest) is deemed “probable”, as discussed in ASC Section 310-10-35. Accrual of interest income should be suspended when likelihood of collectability falls below the “probable” threshold (and restarted if collection of all amounts due under the financial asset is once again deemed “probable”). Reporting entities should individually establish (and disclose) how they are implementing the above guidelines (e.g., interest income recognition is suspended once any amount owed becomes past due by more than 90 days).	
	We object to the Board's proposal to recognize, as an increase to the allowance for credit losses, the amount of interest contractually due that exceeds interest accrued on the basis of an entity's current estimate of cash flows expected to be collected for financial assets. Applying this proposed guidance would potentially overstate the allowance for credit losses, particularly in periods immediately following the issuance of the financial asset when it is difficult for a company to assess whether the allowance for credit losses exceeds an entity's estimate of cash flows not expected to be collected. It also could lead to significant volatility in net income when allowances for credit losses are reversed. Reflecting volatility in the income statement is perfectly appropriate when business conditions change. However, we are less accepting when income statement volatility results from releasing credit reserves merely due to a change in estimate. (Note that this reserve reversal could have been avoided in the first place had the approach we suggest at left been employed.) We are also concerned that the requirements of the Proposed ASU could result in companies making overly conservative estimates of credit losses upon initial recognition of a financial asset, building up unnecessary “cookie jar reserves” in times of prosperity or in periods where the company will not meet consensus analyst estimates. Finally, we feel that preparers would have a difficult time applying the guidelines in the Proposed ASU from an operational perspective. Significant changes to systems and processes would likely be required. In our view, the costs of developing and implementing these new systems would far outweigh the benefits obtained.

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Alternative Framework Proposed by Mind the GAAP	Concerns with Proposed ASU Proposals
Impairment of Financial Assets Our proposed model eliminates the need for specific impairment guidelines, since all financial assets would be measured at fair value. Thus, our proposal would greatly simplify the accounting for financial instruments, meeting one of the Board's objectives of reducing complexity. In particular, we do not support identifying "credit losses" and recycling those amounts out of OCI into net income. Evaluating whether a credit loss has occurred involves significant judgment and different preparers and financial statement users, acting in good faith, will often arrive at different conclusions given the same set of facts. Instead, we believe that users would be better served by a tabular disclosure that provides details around all of an entity's loans (non-performing loans and otherwise). The disclosure could include information, by meaningful asset class, such as (but not limited to): • Original investment/acquisition cost • Remaining contractual amounts due and the periods in which those payments are scheduled to be made (e.g., less than 1 year, 1-2 years, etc.) • Beginning and ending period fair value and/or the change in fair value for the reporting period • Number of loans for which payment is delinquent • Historical write-off percentages for homogenous pools of originated loans • Other indicators of impairment management (including the number and dollar value of loans on the company's internal watch list) • Etc. We feel that robust disclosure of the company's financial assets and potential indicators of impairment would provide capital providers and other financial statement users information that could be used to evaluate the reporting entity's financial condition and results of operations. This information would be less prone to management bias, which can filter into the decision making process when assessing whether a credit loss has or has not occurred.	
We are concerned that the guidance set out in the Proposed ASU essentially makes "tweaks around the edges" of the existing impairment standards in US GAAP. Those existing standards, however, have been difficult to apply for a number of years and we believe that the changes set out in the Proposed ASU do not fix the underlying issues. For these reasons, we feel that the best approach is the radical one – scrapping impairment testing for financial assets – based on the reasons set out at left.	

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Alternative Framework Proposed by Mind the GAAP	Concerns with Proposed ASU Proposals
Measurement of Financial Liabilities	
We believe that all financial liabilities – including core deposit liabilities - should be carried at the amount of the obligation due, net of any unamortized premiums or discounts. That is, we do <u>not</u> believe that measuring financial liabilities at fair value provides relevant information to financial statement users. Having said this, we would permit the following limited exceptions to our benchmark accounting treatment for financial liabilities: • Reporting entities could elect, on an irrevocable basis, to measure specific financial liabilities at fair value with changes in fair value recorded in OCI, so long as: - o Financial liabilities measured at fair value are separately presented on the balance sheet, and - o The reasons for the fair value election are properly disclosed. This irrevocable election would need to be made upon initial recognition of the qualifying financial liability. • Freestanding derivative liabilities and embedded derivative liabilities that must be bifurcated (as governed by ASC Topic 815) should be measured at FV-OCI. Alternatively, management could make an irrevocable election at the inception of the derivative contract to report changes in fair value of derivative liabilities – and assets – in net income if those derivatives are designated as a hedge of an exposure whose effects are also recording in earnings. We believe that our proposed model meets the needs of the primary users of the financial statements, who want insight around the future contractual outflows encumbering a reporting entity. Fair value is a less relevant measure for financial liabilities because the measurement misconstrues the true financial obligations of the reporting entity and the related future cash outlays. In addition, fair value is a less relevant measure for financial liabilities since reporting entities are far less likely to settle or liquidate those liabilities prior to maturity (in some cases, they are precluded from doing so). If early terminations or settlements of financial liabilities do occur, any resultant gains or losses should simply be recognized in net income at that time. Lastly, we note that our proposal to measure financial liabilities at the amount of the obligation due reduces complexity.	We are concerned that the Proposed ASU's guidelines around the subsequent measurement of financial liabilities are overly complex. In particular, a financial liability can be measured in one of three ways (FV-NI, FV-OCI, and amortized cost) depending on the characteristics of the liability – e.g., whether it contains an embedded derivative – and management intent. Even more confusing, certain financial liabilities such as core deposit liabilities are exempt from falling into any of these three buckets. Allowing users to elect different measurement attributes for various types of financial liabilities would be confusing for financial statement users and operationally difficult for preparers. And, as noted at left, an entity's contractual obligations (and future committed cash outflows) could be obscured if financial liabilities are reported at fair value.

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In summary, we feel the guidance in the Proposed ASU would add significant complexity to the accounting for financial instruments, primarily due to the various scope exceptions and accounting choices contained therein. We note the remarks made by Chairman Robert Herz at the December 2005 AICPA National Conference on Current SEC and PCAOB Reporting Developments, which state in part that “exceptions invariably add to the overall complexity of reporting and reduce the transparency and comparability of reported financial information to investors and other users”.

In contrast, we believe that our alternative framework represents a comprehensive set of principles that meets the needs of financial statement users and avoids unnecessary scope exclusions and other complexities. We also see no reason why application of our framework would pose operational difficulties to preparers beyond those they already face under current reporting standards. Accordingly, we ask the Board to consider our proposed approach as part of its redeliberations on this project.

Other Feedback on the Proposed ASU

Mind the GAAP is also pleased to share additional feedback on other aspects of the Proposed ASU.

❖ **We are not in favor of the proposal to require that most loan commitments be measured at fair value.**

We do not believe that measuring loan commitments at fair value provides meaningful information for financial statement users. Loan commitments are generally short-term (e.g., 90 days or less). During this small time period, changes in the factors that drive the fair value of the commitment (e.g., interest rates and creditworthiness) probably would be insignificant on an individual commitment basis and perhaps even in the aggregate for all loan commitments. Further, in a rising interest rate market, certain loan commitments would have to be recognized as liabilities; but as discussed above, we do not believe that fair value is an appropriate measurement attribute for most financial liabilities.

Instead, we believe that a single footnote that summarizes relevant details regarding an entity's outstanding loan commitments (e.g., average rate, notional amount, average time to expiry, etc.), by meaningful groupings, would provide more decision-useful information to financial statement users.

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- ❖ **We also oppose the requirement for reporting entities to determine if the operations of an investee are related to the entity's consolidated business to qualify for the equity method of accounting.**

We believe this requirement will be difficult to implement in practice. Here are two examples to demonstrate our concerns:

- o A mature pharmaceutical company decides to make an investment in a start-up biotechnology company that allows the investor to exert significant influence over the investee. The start-up company is researching biologics, while the pharmaceutical company focuses on traditional therapies. We are unclear in this fact pattern whether the operations of the start-up company (which are in a different product family and are in the development stage) would be considered related to the pharmaceutical company's consolidated business based on our review of paragraph 130 of the Proposed ASU.
- o A manufacturer of household appliances invests in a financing company. The main reason for the investment is so that the finance company can provide loans to finance customer purchases of appliances. In the long term, though, the manufacturer company believes that the finance company could provide other financial services to the manufacturer's customers (e.g., insurance, lines of equity, etc.). Again, we are unclear in this fact pattern whether the operations of the finance company would be considered related to the manufacturer's consolidated business based on our review of paragraph 130 of the Proposed ASU.

More importantly, we see no additional benefit to financial statement users in changing the types of investees that should be accounted for under the equity method. The guidelines for equity method accounting are well defined, and well understood, by investors and preparers alike.

The end result of including an additional criterion to obtain equity method accounting is that more investments would be accounted for at fair value. We are not supportive of this outcome. Notwithstanding the definition of a financial asset in the Master Glossary, we feel that investments in which significant influence can be exercised are dissimilar to other types of financial assets and thus should be accounted for on a different basis. The equity method of accounting appears to us to be an appropriate basis for these types of investments.

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- ❖ **We are generally supportive of the proposals around financial statement presentation discussed in the Proposed ASU and in the Accounting Standards Update entitled *Statement of Comprehensive Income*.**

In particular, we believe that financial statement users will benefit from net income and OCI being shown on a single continuous statement, especially as an increasing number of transactions continue to be reported in OCI.

We also believe that presenting a single comprehensive statement will increase the prominence of the components of OCI, which will be quite helpful to financial statements users regardless of whether the Board adopts the principles outlined in the Proposed ASU or considers the alternative framework we outlined earlier in this letter.

We do have a few minor suggestions for improving the usability of the Statement of Comprehensive Income:

- o We feel that more detail of fair value movements should be presented on the face of the Statement of Comprehensive Income or, less desirably, in the footnotes. Specifically, we would like to see unrealized gains/losses on financial instruments separated into those related to non-derivative financial instruments and those related to derivative financial instruments. Moreover, within each category, fair value movements should be disaggregated into asset class. For example, classes for derivative financial instruments could include interest rate swaps, forward contracts, options, etc. For non-derivative financial instruments, classes could include investments in U.S. treasuries, investments in A tranches of residential mortgage-backed securities, originated loans held for sale, etc.
- o We propose that the FASB require presentation of a “per share” figure for total comprehensive income, to be displayed with equal prominence as basic and diluted EPS (which would continue to be calculated based on net income). The main reason for our suggestion is to again stress to financial statement users the importance of considering both net income and other comprehensive income in evaluating the reporting entity’s results of operations. Presenting a per share number based on comprehensive income also would permit financial statement users to evaluate the entity’s total performance over time.

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- ❖ **We are supportive of the changes to hedge accounting outlined in the Proposed ASU. We believe that such changes will continue to provide financial statement users with relevant and reliable information, yet be far easier for preparers to operationalize.**

Of particular note, we support the following aspects of the FASB proposal:

- o By replacing the notion of a “highly effective” relationship with one that is merely “reasonably effective”, reporting entities should be able to more transparently reflect economic arrangements that mitigate a company’s exposure to risk but that under present accounting requirements would not qualify for hedge accounting.
- o We support the elimination of the “short-cut method” and the “critical terms match” concept. In a number of our consulting arrangements, Mind the GAAP seems to spend an inordinate amount of time explaining to clients why their hedging relationships do not qualify for the short-cut method or meet the critical terms match criteria. Since these criteria were not intended to apply to many of the standard hedging practices in place, it is best to remove these concepts from U.S. GAAP to avoid any unnecessary confusion.
- o We agree that the effectiveness of a hedge need not be reassessed every quarter, but instead only be re-examined qualitatively (or quantitatively, if necessary) if circumstances suggest that the hedging relationship may no longer be reasonably effective. Similar to our thoughts above, we believe that this change will result in less cost to practitioners but will not sacrifice the decision-usefulness of information presented to users.
- o We believe that the reporting of hedge ineffectiveness in an entity’s net income – regardless if the cumulative change in fair value of the derivative is greater than or less than that necessary to offset the cumulative change in expected future cash flows on the hedged transaction – is simpler and more intuitive than current U.S. GAAP on this subject.
- o We agree with the FASB proposal to prohibit the de-designation of a hedge prior to the maturity of the derivative, unless the hedge fails to remain “reasonably effective” (hedge termination prior to maturity would only be accomplished by terminating the derivative with the counterparty). We favor this requirement as it leaves less room for potential earnings manipulation.

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Other Thoughts

Although the Proposed ASU does not specify an effective date, we recommend that any new guidelines become effective no earlier than January 1, 2013 for public companies. This is because implementing new accounting requirements around financial instruments will involve significant time, cost and effort. We also believe that all nonpublic companies (and not just those with less than \$1 billion in total consolidated assets at the beginning of a fiscal year) should be afforded a deferral of several years after the initial effective date.

As indicated in the Proposed ASU, the FASB and IASB are not in alignment on many aspects of accounting for financial instruments. It goes without saying that continued divergence will not benefit financial statement users or preparers. It is inefficient and imprudent for public companies to adopt new U.S. GAAP changes, say in 2013, only to have to change these systems and processes once again if the SEC determines a date certain for conversion to IFRS. Accordingly, we strongly encourage the FASB and IASB to work together to agree on a converged framework that is acceptable to all constituencies before releasing final guidelines on financial instruments.

In sum, we applaud the FASB for tackling this complex and controversial area of GAAP. Although we happen to disagree with some of the main conclusions set out in the Proposed ASU, we do acknowledge that it was a very useful document to foster discourse on this topic. Thank you again for the opportunity to comment and please do not hesitate to contact us if you have any questions or need clarification around points in our letter.

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