

October 29, 2004

Letter of Comment No: 173
File Reference: EITF03-1A

Mr. Lawrence W. Smith
Chairman – Emerging Issues Task Force
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

RE: Comments on FSP EITF Issue 03-1

Dear Mr. Smith:

QUALCOMM appreciates the opportunity to comment on the FASB Staff Position paper recently issued with respect to the application of EITF Issue 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments."

QUALCOMM holds a securities portfolio of approximately \$7 billion, and for a significant portion of this portfolio, changes in fair value are attributable to changes in interest rates and/or sector spreads. Accordingly, we are very interested in the additional guidance that the FASB plans to issue. Please note that QUALCOMM believes that the current method of reporting changes in market value on available-for-sale marketable securities through the capital section of the balance sheet, when losses are deemed to be temporary, is fair and accurate.

Following are the comments and concerns we have regarding this FSP:

We believe that this FSP should provide practical guidance to companies holding large long-term portfolios managed by external managers. For practical purposes, the FSP may make it impossible for companies to classify externally-managed long-term portfolios as available-for-sale. Such portfolios may need to be classified as trading, bringing market volatility into the income statement in the context of a long-term portfolio with very little trading activity. We believe that result is not consistent with the intent of FAS 115 permitting the available-for-sale categorization. This FSP effectively nullifies the Board's prior resolution of the investment categorization issue. In paragraph 94 of FAS 115, "...the Board decided that unrealized holding gains and losses on debt and equity securities that are available for sale but that are not actively managed in a trading account should be reported outside earnings... That reporting would alleviate the potential for volatility in reported earnings resulting from a requirement to value some assets at fair value without at least permitting fair-value-based accounting for related liabilities. It would also mitigate concerns about reporting the fluctuation in fair value of long-term investments in earnings."

Although we support the FASB's decision to delay the effective date for the recognition and measurement guidance included in the FSP, we suggest a further delay until such time as the ramifications of this FSP are fully considered and resolution of implementation issues are adequately addressed. Furthermore, this FSP has potentially

significant implications to both the financial management practices of individual companies and to the capital markets in general. As such, the effective date should be delayed until such time as all implications have been fully considered and companies have been given sufficient time to address implementation issues once the final ruling is issued.

We thank you for your consideration in this matter.

Sincerely,



Richard Grannis
Senior Vice President & Treasurer
QUALCOMM Incorporated