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October 10, 2005

Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Via E-Mail to director@fasb.org

Re: File Reference 1210-001

Grant Thornton LLP appreciates the opportunity to comment on the Financial Accounting Standards Board ("the Board" or "FASB") Exposure Draft of the Proposed Statement of Financial Accounting Standards, Accounting for Certain Hybrid Financial Instruments (the "Exposure Draft" or "Proposed Statement"). We support the Board's commitment to improvement of the quality of financial reporting in the area of hybrid financial instruments and beneficial interests in securitized financial assets. In this letter, we set forth specific recommendations to further assist FASB toward achieving these goals and to address the issues for which the Board has specifically requested comments.

Our comments follow are organized to correspond with the issues upon which comments were requested in the Exposure Draft.

Issue 1: Fair Value Election

We agree with the Board's decision to permit fair value remeasurement for hybrid financial instruments that contain embedded derivatives that otherwise would require bifurcation. We believe that this option will simplify the application of Statement 133 for a number of hybrid financial instruments where there appears to be little benefit in accounting for an embedded derivative separate from the host instrument.

Certain hybrid financial instruments can include a host instrument that is classified in equity. We believe the Board should indicate in the background information and basis for conclusions that the

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election to remeasure a hybrid instrument at fair value with changes recognized in earnings does not apply when the host instrument is equity and should discuss the basis for this conclusion.

Issue 2: Evaluation to Determine If Embedded Derivatives Exist

We believe that the proposed Statement should provide implementation guidance on how to evaluate whether a beneficial interest in securitized financial assets contains an embedded derivative that would require bifurcation. The guidance should provide an example of the evaluation of a beneficial interest in securitized financial assets that, based on the guidance in paragraph 14A, would include an embedded derivative to be accounted for under Statement 133.

Issue 3: Interaction with Statement 140

We believe that the reference in paragraph 14A directing preparers back to paragraphs 12 and 13 in evaluating a beneficial interest in securitized financial assets, along with implementation guidance referred to in our comment to Issue 2 will be clear and understandable.

We do not believe that guidance for evaluating how the existence of embedded derivatives would affect the determination of whether a SPE would be qualifying is clear.

Issue 4: Effective Date

We agree with the Board's decision as discussed in paragraph A30 that the Proposed Statement be effective on a prospective basis for all new instruments. We believe that the effective date of the Proposed Statement provides sufficient time for implementation by calendar-year reporting entities.

Conclusion

We appreciate the opportunity to comment on these critical matters and would be pleased to discuss our comments with Board members or the FASB staff. If you have any questions, please contact Mark Scoles, Partner, Accounting Principles Group at (312) 602-8780.

Very truly yours,

/s/ Grant Thornton LLP