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Letter of Comment No: 24
File Reference: 1101-001
Date Received: 11/1/02

November 1, 2002

Ms. Suzanne Q. Bielstein
Director
Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

Dear Ms. Bielstein:

Re: File Reference 1101-001

Our company, Fiserv, Inc., awards options to individuals in two ways:

- (1) Based upon the most recent year's financial performance of an individual Fiserv business unit and Fiserv as a whole and
- (2) "Up front" options granted to new or existing employees that are not based upon financial performance.

It seems to me that the proposed amendment of FASB Statement No 123 addresses "Up front" options in a reasonable manner (expense over the vesting period of the option). These options are issued mainly to recruit a new employee or hold on to an existing employee and the cost is logically spread over the vesting period. Such options account for approximately five percent of the options we award.

Ninety-five percent of our options are awarded based upon the most recent year's financial performance. For example, options will be granted in 2003 for 2002 financial performance. Effectively, the employee has earned the stock option grant in 2002. These options have vesting provisions, but these provisions are incidental to the main thrust of awarding options based on an individual's and Fiserv's current performance. We believe these options are analogous to pension benefits earned, but unvested. To properly match the costs to the events that gave rise to the cost, the FASB should allow the ability to expense the entire cost of options in the year earned. In our case, this would mean recognizing the entire option cost in the 2002 performance period for options granted in 2003. Under the proposed amendment and the current statement,

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the expense would begin in 2003 and be spread over the vesting period, which distorts the principle of matching costs to the period the options are earned. We believe stock options should be expensed similar to how you would expense cash incentive compensation in the period earned. Transition rules for options expensed in the year earned could be similar to those proposed in the Amendment.

Very truly yours,

Kenneth R. Jensen
Senior Executive Vice President
And Chief Financial Officer