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Mr. Allen Plyler Faculty Staff Keller Graduate School of Business One Tower Lane 9th Floor Oakbrook Terrace, IL 60181-4624 630.571.1818 630.571.2350 fax One Tower Lane

Director of Technical Projects and Technical Activities MP&T Director — File Reference 1100-163 Financial Accounting Standards Board of the Financial Accounting Foundation 401 Merritt PO Box 5116 Norwalk, Connecticut 06856-5116

Gentlemen,

You have requested comments regarding the Proposed Statement of Financial Accounting Standards Amendment of Statement 133 on Derivative Instruments and Hedging Activities dated May 1, 2002.

In particular, I am concerned about the guidance relating to forward contracts for Statement 115 securities. My view is that forward contracts for Statement 115 securities are not options based contracts (the agreed upon price at delivery is usually not a strike price or the fair value at time of delivery). At inception, forward contracts always have a fair value of zero. Because they have a fair value of zero, they will always be less than 5% of the fully prepaid amount. Therefore, because forward contracts that relate to Statement 115 securities, by definition, will always meet the characteristics described in Statement 133, paragraphs 6 (a) and 6 (c) (because the Statement 115 security is always readily convertible to cash), and because the amended guidance of paragraph 6 (b) is always met for these types of derivatives, all forward contracts relating to Statement 115 securities will be considered derivatives under FAS 133.

This conclusion would present a conflict with the guidance of EITF 96-11 which states in part:

The consensus in Issue 96-11 would continue to apply to those forward contracts and options that are not derivatives subject to Statement 133 but involve the acquisition of securities that will be accounted for under Statement 115. However, such forward and option contracts are not eligible to be hedging instruments. (The consensus does not apply to contracts involving non-Statement 115 securities.)

At issue is the point that if all forward contracts for acquisition of Statement 115 securities are subject to Statement 133, EITF 96-11 would not apply to those derivatives. In the example of a municipal bond forward commitment that met the regular-way security trade exception under Statement 133 paragraph 10 (a), the forward contract would not be subject to Statement 133 accounting, and would at the same time be excepted out of EITF 96-11. Because the commitment would not meet the definition of Statement 115, the forward contract would not be required to be accounted for.

Thank you for the opportunity to comment, and I will be pleased to discuss this comment with the Board and its staff at their convenience.

Very truly yours,

Allen Plyler