

LETTER OF COMMENT NO. /

Importance: High

From: Gregg Nelson [mailto:gln@us.ibm.com] Sent: Thursday, January 15, 2009 9:22 AM

To: Director - FASB

Subject: File Reference: Proposed FSP FAS 107-a

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

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Dear Mr. Golden,

The International Business Machines Corporation appreciates the opportunity to comment on the proposed FASB Staff Position (FSP) FAS 107-a, "Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107."

Overall, we agree that the disclosures required in the proposed FSP should improve the quality of financial information related to fair value measurements and increase financial statement comparability.

However, we want to express our concern regarding the timing of the proposed FSP. This proposed FSP, which would be effective for December 31, 2008 reporting, was posted by the FASB on December 24<sup>th</sup>, seven days before our fiscal year-end. A twenty-two day comment period (including two public holidays) is insufficient due process in our opinion. In addition, if this proposed FSP is ratified by the Board at the end of January, there will be insufficient time to amend our financial reporting and control processes to produce the required disclosures. These processes must be amended concurrently with the preparation of the year-end financial statements. Preparers normally experience a heavy workload at this time without having the additional burden of implementing new disclosure requirements at the same time.

Since the proposed FSP is effective for interim and annual reporting periods ending after December 15, 2008, we would also like to point out to the Board that entities with annual reporting periods ending prior to that date are effectively relieved of these disclosure requirements for this annual reporting cycle. This leads to inconsistent reporting requirements for preparers and a lack of financial statement comparability among issuers.

Therefore, we recommend that these new disclosure requirements be deferred to interim and annual reporting periods beginning after December 15, 2008. This will give preparers time to complete fiscal year end disclosures and regulatory filings and properly implement these new requirements.

In addition to the concerns regarding the effective date as expressed above, we would also like to seek further clarification on the scope of the proposed FSP. Paragraph 8c of the proposed FSP indicates that it applies to "Loans and long-term receivables except those measured at fair value with changes in fair value recognized through earnings". We assume that this category would not include receivables arising from capital lease transactions recognized in accordance with SFAS No. 13, "Accounting for Leases". We base this assumption on the fact that a) lease contracts are scoped out of current fair value disclosure requirements as per paragraph 7d of SFAS 107, and, b) paragraph 11 of the proposed FSP requires the disclosure of the incurred loss for loans and long-term receivables in accordance with "existing accounting policies under Statement of Financial Accounting Standards No. 114" which also excludes lease contracts from its scope. If our understanding is correct, we would suggest that the Board clarify this in the proposed FSP by making specific mention of the scope exception for leases in paragraph 15 E(c) of SFAS 107 (as amended by this FSP). In addition, we would also recommend that the Board revise its illustrative example of the tabular disclosure included on page 9 of the proposed FSP to remove the reference to leases in the caption "Loan and lease receivables" to avoid any confusion.

Thank you for the opportunity to comment on this rule proposal. If you have any questions, please do not hesitate to contact me.

Gregg L. Nelson Vice President, Accounting Policy & Financial Reporting IBM Corporation 1M-10, Bldg 3, Somers, NY 10589 8-826-3190 (914-766-3190) Office 8-826-3788 (914-766-3788) Fax gln@us.ibm.com