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LETTER OF COMMENT NO. 54

Mr. Lawrence W. Smith
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Proposed Statement of Financial Accounting Standards "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133"

File Reference No. 1510-100

Dear Mr. Smith,

We would like to take this opportunity to comment on the Proposed Statement "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133."

Summary

- We are concerned that the proposal will require disclosure of voluminous data, but not much information, and that the informative content will be lost in the details which most users will likely disregard.
- The Board should simplify the disclosures, and adopt a principle that allows judgment to provide more disclosure when derivatives are very significant and less disclosure when they are not.

Disclosure Overload

We are concerned that the proposed disclosures are too voluminous and will be overwhelming for the typical financial analyst much less an ordinary investor. Readers have difficulty differentiating between meaningful information and extraneous data when disclosures become too detailed. Disclosures should be concise and relevant. The example provided in the Exposure Draft illustrates the disclosures that would be required for only interest rate risk, and the level of detail consumes a full page. If separate tables are required for each category of risks (i.e. interest rate risk, credit risk, foreign currency risk for multiple currencies, and commodity risk for multiple commodities) as well as multiple risks by accounting designation and purpose (i.e. fair value, cash flow, net investment in a foreign operation, etc.), coupled with multiple time periods, the amount of data will be overwhelming. If the Board moves forward with this project, we believe the final Statement should provide a comprehensive example

including interest rate risk, foreign currency risk, commodity risk, credit risk, as well as other price risks. When a comprehensive example is prepared, we hope the Board will realize how overwhelming the proposed disclosures will be to the users of financial statements. Also, we are concerned that this and other recent disclosure requirements are becoming so granular that they approach the transactional level of detail rather than simply conveying insightful information about the topic.

Excessive Disclosure Requirements

Additional disclosure is not necessary for many of the items included in the Exposure Draft as existing GAAP and SEC requirements address these areas. Specifically, we believe that:

1. Requiring disclosure of the balance sheet classification of derivatives by each category of risk, accounting designation, and purpose is unnecessary. Further, there is no need to disclose each category of risk, accounting designation, and purpose by the amounts that are in an asset or liability position. Existing rules already require disclosure of material assets and liabilities on the balance sheet or in the notes to the financial statements, as appropriate.
2. The numerous proposed disclosures regarding the composition of gains and losses included in paragraph 44C are unwarranted. The focus should be on the aggregate gain or loss impact on the reported results of operations, not on all the pieces. FAS 133 already requires disclosure of the net gain or loss related to ineffectiveness from derivatives by hedge type (i.e. fair value, cash flow, net investment) and a description of the line item where it is reported.
3. FAS 130 requires disclosure of accumulated other comprehensive income, and thus, displaying the change in and the amount of gain or loss recognized in OCI for each category of cash flow hedge is too granular and repetitive.
4. The rules should allow judgment by registrants of what is material for disclosure based on the existing disclosure rules as well as the particular facts and circumstances of the registrants' businesses, rather than adding redundant rules with even more detail requirements.

When the SEC staff issued guidance regarding disclosures about the policies used to account for derivatives, and certain quantitative and qualitative information about market risk exposures, they stated that, "Companies are free to disclose the information in the format they believe most appropriate," and that "The disclosures are required only when material." Therefore, we have outlined our recommendations for flexible disclosure, depending on the specific facts of each business, below:

1. Paragraphs 44 and 45 of FAS 133 already require disclosure of the objectives of hedging and of gains and losses from derivatives so nothing further is needed.
2. Provide a general description of where the values of the hedges are recorded. For example, other current assets or liabilities and revenue if it is a sales hedge, cost of sales if it is a purchase hedge, or interest expense or income if it is a hedge of interest. GAAP already requires disclosure of material items that are included in the balance sheet and income statements' line items when material, and discussion may also be required in MD&A. Thus, there is no need to provide such specific quantitative detail in a note by each hedge risk category, accounting designation, and purpose whether it is in an asset or liability position.
3. Provide the notional amount, and the gain or loss not yet recognized in earnings, for each significant hedge risk (i.e. interest rates, commodities, and foreign currency) on an aggregate basis, net, – not gross for each asset and liability position. Additional detail of each of these items should be provided if significant – however, judgment should be permitted when determining if this is necessary. For example, if the company primarily hedges the Euro and other currencies, then one category with that description may be adequate. If the company hedges a very large Euro position and a very large Yen position, and these markets do not tend to

move similarly and/or are related to different businesses, it may be appropriate to disclose each position separately, however, judgment needs to be retained.

4. For many companies, disclosure of counterparty risk is not necessary as they deal with high creditworthy counterparties and/or the amount at risk would not damage the reporting company's financial position even if it results in a one-time loss. Again, judgment needs to be retained for this area.
5. Quarterly disclosure of the proposed information is extremely burdensome and costly, especially with the short reporting deadlines for public companies. The Exposure Draft assumes the required information is readily available. However, as with all new statements, the information in a complex global business is not necessarily readily available in one place or in the format required by the proposals, and each piece of data required to be disclosed by a standard requires a higher level of control, procedures, and analysis before it can be reported externally. There are incremental costs to every new standard. Only if the disclosures are limited, such as we have proposed herein, would it be reasonable to consider for interim reporting. In most cases, if nothing significant has changed from year-end, interim disclosure is not warranted, and only significant new developments should be addressed in interim reports.

In addition, if the proposed disclosures are required in the final Statement, sufficient time should be allowed for any system and process changes necessary. Therefore, the effective date should be for fiscal years ending after December 15, 2008, with early adoption permitted.

Materiality Thresholds

If the Board moves forward with this proposal, we believe that a "materiality threshold" should be considered. In today's environment, materiality appears to be moving to a lower and lower threshold and preparers are challenged to disclose even the most immaterial of items. Auditors and regulators are reluctant to permit preparers to rely on the statement at the end of standards that "the provisions of this Statement need not be applied to immaterial items," and everything is interpreted as material. We have observed that once a company reports that it has transactions covered by a specific standard, auditors and regulators expect all the disclosures required by the standard. Disclosure standards need to be scalable. All disclosure standards should reflect the principle that if the item is not significant - no disclosure should be provided; if the item is somewhat significant - moderate disclosure should be provided; and if the item is very significant - complete disclosure in accordance with the rules should be provided. In the case of a financial institution, a high level of disclosure may be warranted as derivatives are a very significant part of their business. However, for a manufacturing company that buys commodities, derivatives may be of moderate to low significance, and therefore, the disclosures should correspondingly decrease.

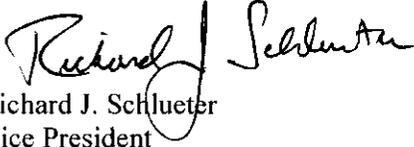
Revisit Hedge Accounting

We believe the Board should slow the pace of issuing new standards and look for ways to reduce complexity in accounting. The cost of complying with the proliferation of new statements is high, the benefit of the incremental improvement in financial reporting can be debated, and the burden of the preparer and user communities to keep up with the rate of change and understand the impact is significant. For example, adhering to the rule-based model established by FAS 133 is extremely costly and consumes a significant amount of resources. When a company is not allowed to apply hedge accounting because one of numerous technical rules was not followed exactly, it does not enhance financial reporting or the user's ability to understand that company's financial performance. FAS 133 needs to be made more operational by relaxing the rules and allowing hedge accounting (for positions that a vast majority of business people would agree are economic hedges) without requiring such strict

adherence to meticulous documentation and measurement requirements when it is obvious the company has exposure to the items hedged.

We appreciate the opportunity to respond to the Board's proposed statement and trust that our comments will be seriously considered in future Board deliberations on this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard J. Schlueter". The signature is written in a cursive style with a large, prominent initial "R".

Richard J. Schlueter
Vice President
& Chief Accounting Officer

cc: Walter J. Galvin
Senior Executive Vice President
& Chief Financial Officer