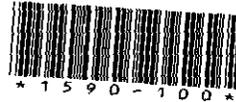


August 15, 2008



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



LETTER OF COMMENT NO. 46

RE: File Reference No. 1590-100

Dear Mr. Golden,

On behalf of Bristol-Myers Squibb Company ("BMS"), I would like to provide the Company's response to the FASB's recently issued Exposure Draft ("ED") on the amendment of FASB Statement No. 133, *Accounting for Hedging Activities*. BMS commends the Board's efforts of attempting to simplify the hedging requirements prescribed by FASB 133. Even though BMS is typical of most corporate hedgers in that all executed hedging instruments are usually plain vanilla in their structure, it does require an extraordinary amount of time and effort to properly document the hedge relationship, assess effectiveness, measure ineffectiveness, dedesignate hedging relationships where applicable, etc. This effort is time consuming and requires a unique level of technical specialization, to understand both the hedging instruments and strategies and the related accounting rules, even for the most basic derivative financial instruments. It is for this reason that BMS is compelled to respond to the exposure draft because we believe that for companies like BMS, the ED if adopted as proposed will require additional work, and additional costs will be incurred, without a benefit to the company's shareholders. We believe that the ED adds complexity, particularly as it relates to the impact it will have on the previously acceptable hedging of interest rate risk related to our own issued debt using plain vanilla interest rate swaps. The company's responses to the issues indicated in the ED are as follows:

### ***Hedged Risk***

**Issue 1: For the reasons stated in paragraph A16 of this proposed Statement, the Board decided to eliminate (with two exceptions) the ability of an entity to designate individual risks as the hedged risk in a fair value or cash flow hedge. As a result of that change, the financial statements would reflect information about the risks in the hedged item or transaction that an entity both chooses to manage and not to manage as part of a particular hedging relationship.**

**Do you believe that the proposed Statement would improve or impair the usefulness of financial statements by eliminating the ability of an entity to designate individual risks and requiring the reporting of the risks inherent in the hedged item or transaction?**

It is the company's opinion that the elimination of the ability to designate individual risks as the hedged risk in a fair value or cash flow hedge will impair the usefulness of financial statements. By eliminating the company's ability to designate the benchmark interest rate risk only as the hedged item, an otherwise highly effective hedge of our debt may become ineffective due to changes in credit risk. In addition, the company has, from time to time, entered into pre-issuance forward starting swaps on its probable issuance of long-term debt in order to lock-in an interest rate. Eliminating the company's ability to hedge just interest rate risk on the pre-issuance of debt will require the company to consider its own credit risk as part of its hedging strategy. Currently, there are no provisions in the company's risk management policy that allow taking a hedge position on its own credit risk, nor do we believe it prudent to do so.

In summary, the company believes that the ability to designate individual risks as the hedged item in a hedging relationship should continue to be allowed, or at the very least expand the exceptions for more commonly hedged risks.

**Issue 2: For the reasons stated in paragraphs A18--A20, the Board decided to continue to permit an entity the ability to designate the following individual risks as the hedged risk in a fair value or cash flow hedge: (a) interest rate risk related to its own issued debt (that is, its liability for funds borrowed), if hedged at inception, and (b) foreign currency exchange risk. For those two exceptions, the financial statements would not reflect information about the risks that an entity chooses not to manage as part of a particular hedging relationship.**

**Do you believe the Board should continue to permit an entity to designate those individual risks as a hedged risk?**

Yes, BMS believes that the Board should continue to permit an entity to designate interest rate risk and foreign currency risk as the hedged risk. The company also believes the exceptions should be expanded to include more commonly hedged risks such as price risk in a commodity hedge when that price risk is tied to an exchange traded commodity by contract.

### ***Hedge Effectiveness***

**Issue 3: This proposed Statement would eliminate the shortcut method and critical terms matching. Therefore, an entity would no longer have the ability upon compliance with strict criteria to assume a hedging relationship is highly effective and recognize no ineffectiveness in earnings during the term of the hedge. As a result, when accounting for the hedging relationship, an entity would be required, in all cases, to independently determine the changes in fair value of the hedged item for fair value hedges and the present value of the cumulative change in expected future cash flows on the hedged transaction.**

**Do you foresee any significant operational concerns or constraints in calculating ineffectiveness for fair value hedging relationships and cash flow hedging**

**relationships? Do you believe that the proposed Statement would improve or impair the usefulness of financial statements by eliminating the shortcut method and critical terms matching, which would eliminate the ability of an entity to assume a hedging relationship is highly effective and to recognize no ineffectiveness in earnings?**

By eliminating the shortcut method for interest rate swaps, BMS will be required to either purchase a systems solution of assessing effectiveness and measuring ineffectiveness on interest rate swaps, or outsource such tasks when the hedging relationship is already expected to be highly effective. BMS has implemented processes since adoption of FAS 133 to ensure any new interest rate swaps qualify for the short cut method prior to execution of the trade. As stated previously, we enter into basic interest rate swaps that are expected to be highly effective at inception and prospectively at hedging changes in interest rates on our underlying debt. To require a company to assess effectiveness and measure and record ineffectiveness [that may not exist economically] on a transaction that has proven over the years since FAS 133 was initially adopted to be highly effective places an undue burden on companies without providing any additional benefit to the shareholders.

**Issue 4: This proposed Statement would modify the effectiveness threshold necessary for applying hedge accounting from *highly effective* to *reasonably effective* at offsetting changes in fair value or variability in cash flows.**

**Do you believe that modifying the effectiveness threshold from highly effective to reasonably effective is appropriate? Why or why not? For situations in which interest rate risk is currently designated as the hedged risk for financial instruments but would no longer be permitted under this proposed Statement (except for an entity's own issued debt at inception), do you believe you would continue to qualify for hedge accounting utilizing your current hedging strategy? If not, would you (a) modify your hedging strategy to incorporate other derivative instruments, (b) stop applying hedge accounting, (c) elect the fair value option for those financial instruments, or (d) adopt some other strategy for managing risk?**

BMS agrees with modifying the effectiveness threshold from highly effective to reasonably effective.

In order to comply with the ED as drafted, the company would have to modify certain current hedging strategies on hedges of newly issued debt after the date of inception. By not having the flexibility to designate an interest rate swap as a hedge of changes in the benchmark rate when the swap is not entered into at the same time as the debt (also referred to as a "late" hedge), the company may forego altogether entering into the hedge in order to avoid accounting volatility even when the economics suggest a hedge is the better risk management alternative and provides overall value to the shareholders.

**Issue 5: This proposed Statement always would require an effectiveness evaluation**

**at inception of the hedging relationship. After inception of the hedging relationship, an effectiveness evaluation would be required if circumstances suggest that the hedging relationship may no longer be reasonably effective.**

**Do you foresee any significant operational concerns in creating processes that will determine when circumstances suggest that a hedging relationship may no longer be reasonably effective without requiring reassessment of the hedge effectiveness each reporting period? Do you believe that requiring an effectiveness evaluation after inception only if circumstances suggest that the hedging relationship may no longer be reasonably effective would result in a reduction in the number of times hedging relationships would be discontinued? If so, why?**

BMS foresees operational concerns in creating processes that will determine when circumstances suggest that a hedging relationship may no longer be reasonably effective. The company's main concern is that because these circumstances are judgmental, there may be discrepancies in practice on what actually is and is not a change in circumstances that will lead an entity to believe the hedging relationship is no longer reasonably effective.

**Issue 6: The Board considered but decided against eliminating any assessment of effectiveness after the inception of the hedging relationship. The Board believes that eliminating such an assessment of effectiveness could result in the continuation of hedge accounting even when situations suggest that the hedge relationship may no longer be reasonably effective. Some observe that an implication of the decision to not eliminate any assessment after the inception of the hedging relationship could be that hedge accounting results would be reflected in some reporting periods and not in other reporting periods throughout the life of the relationship. Also, in a hedge accounting model that generally does not permit hedging of individual risks, changes in the relationship between the individual risks being managed and those not being managed could increase the likelihood that the hedging relationship would no longer be reasonably effective. That would result in hedge accounting no longer being permitted for a portion of an expected hedge term. That "in and out" of hedge accounting would make it more difficult for users to interpret financial statements.**

**Do you agree with the Board's decision to continue to require that hedge accounting be discontinued if a hedge becomes ineffective? Alternatively, should an effectiveness evaluation not be required under any circumstances after inception of a hedging relationship if it was determined at inception that the hedging relationship was expected to be reasonably effective over the expected hedge term?**

BMS believes that if the hedge is plain vanilla and is expected to be highly effective at the inception of the hedge, then an effectiveness evaluation should not be required after inception of the hedging relationship absent a change in any of the terms of the underlying hedged item or hedging instrument.

#### ***Presentation of Hedging Gains and Losses***

**Issue 7: In the statement of operations, Statement 133 does not prescribe the presentation of gains and losses associated with hedging instruments, including the effective portion, the ineffective portion, and any amounts excluded from the evaluation of effectiveness, such as forward points. Some have suggested that such a prescription would improve financial reporting by creating consistency in the presentation of these amounts across all entities. Others observe that FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, requires disclosure about that information, and they question whether a prescriptive approach is appropriate given the diverse hedge accounting strategies employed by entities.**

**Do you believe that Statement 133 should be amended to prescribe the presentation of these amounts? For example, the Statement could require that the effective portion of derivatives hedging the interest rate risk in issued debt be classified within interest expense and that the ineffective portion and any amounts excluded from the evaluation of effectiveness be presented within other income or loss.**

BMS believes that additional guidance on presentation of ineffectiveness and the effects of de-designated hedges in the financial statements would eliminate diversity in practice.

#### ***Effective Date and Transition***

**Issue 8: The Board's goal is to issue a final Statement by December 31, 2008. The proposed Statement would require application of the amended hedging requirements for financial statements issued for fiscal years beginning after June 15, 2009, and interim periods within those fiscal years.**

**Do you believe that the proposed effective date would provide enough time for entities to adopt the proposed Statement? Why or why not?**

BMS believes the proposed effective date of the requirements of the ED would provide enough time to adopt the proposed statement.

**Issue 9: The Board did not prescribe any specific transition disclosures upon the adoption of this Statement.**

**Do you believe that there are specific disclosures that should be required during transition? If so, what? Please be specific as to how any suggested disclosures would be used.**

BMS does not believe additional transition disclosure requirements are necessary.

**Issue 10: The Board decided to permit an entity a one-time fair value option election under FASB Statements No. 156, *Accounting for Servicing of Financial Assets*, and No. 159, *The Fair Value Option for Financial Assets and Financial***

**Liabilities, for (a) servicing assets and servicing liabilities designated as a hedged item on the date immediately preceding initial application and (b) eligible financial instruments designated as a hedged item on the date immediately preceding initial application of this proposed Statement. Do you agree with the Board's decision to allow a one-time fair value option at the initial adoption of this proposed Statement?**

**Do you agree with the Board's decision to limit the option to assets and liabilities that are currently designated as hedged items under Statement 133?**

BMS agrees with the Board's decision to allow a one-time fair value option at the initial adoption of the proposed amendment. Many companies did not elect the fair value option, because they were receiving reasonable accounting treatment under the shortcut method. This one-time fair value option will give companies the ability to reconsider that decision.

### ***Benefit-Cost Considerations***

**Issue 11: The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. The benefit-cost considerations considered by the Board are provided in paragraphs A43–A50 in Appendix B of this proposed Statement.**

**Do you believe the Board identified the appropriate benefits and costs related to this proposed Statement? If not, what additional benefits or costs should the Board consider?**

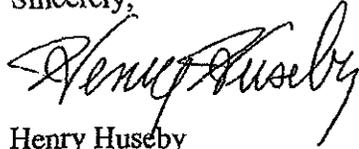
BMS believes the Board should consider the pending convergence to IFRS and the costs associated with adopting the proposed amendment and then in the near future, having to adopt the requirements of IAS 39. The company believes that the Board should wait for the convergence to IFRS.

### **Other Issues:**

BMS would like further clarification to the changes proposed in paragraph 40 of the amendment. Per FASB 52, paragraph 20, there are only two types of transaction gains and losses to be excluded from the determination of net income, 1) foreign currency transactions that are designated as, and are effective as, economic hedges of a net investment, and 2) intercompany foreign currency transactions that are of a long-term investment nature. All other foreign currency denominated transactions, regardless of whether it's a third party transaction or an intercompany transaction, will generate a foreign currency gain or loss that will survive consolidation. The proposed addition to this paragraph is not clear as to the Board's intentions to permit hedging intercompany transaction or not and which transactions it believes would be eligible versus those that would not be under the ED.

We appreciate this opportunity to provide comments, and would be pleased to discuss this further at your convenience.

Sincerely,

A handwritten signature in cursive script, appearing to read "Henry Huseby".

Henry Huseby  
Technical Accounting and Policy

CC: Joseph Caldarella  
Vice President and Corporate Controller

David Levi  
Director Technical Accounting and Policy