



LETTER OF COMMENT NO. 6

STATE OF NEW YORK
BANKING DEPARTMENT
ONE STATE STREET PLAZA
NEW YORK, NY 10004

March 1, 2007

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Attention: Technical Director – File Reference No. 1510-100

Dear Mr. Smith:

The New York State Banking Department (the “Department”) appreciates the opportunity to respond to the Financial Accounting Standards Board’s (the “Board’s”) exposure draft, **Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133**, and is pleased to present the following comments.

Issue 1

The Department agrees with the Board’s decision on the scope of the exposure draft as it should allow for improvements in the near future.

Issue 2

The Department agrees that a final Statement should apply to both public and private entities as financial statement users need useful information regardless of the type of entity active in derivatives.

Issue 3

The Department disagrees with disclosing derivative instruments on a gross basis when they are subject to master netting arrangements and qualify for net presentation in accordance with FASB Interpretation No. 39. As institutions manage derivatives on a net basis and GAAP allows balance sheets to reflect net amounts when applicable criteria are met, we question whether gross numbers are relevant or useful.

The Department disagrees with requiring the disclosure of notional amounts. See Issue 5 for further discussion.

Issue 4

While the Department recognizes that institutions will have to incur additional expenses to track required items, it does not expect significant operational concerns with the requirement.

Issue 5

The Department disagrees with including notional amounts as they are not helpful in determining financial risks. Worse, the extremely large sizes often associated with notional amounts may mislead financial statement users into concluding that they provide anything more significant than raw volume information. The Board furthers this confusion by suggesting that notional amounts may be indicative of risks in paragraphs B24 and B25.

The Department believes the Board properly eliminated the disclosure of notional amounts in Statement 133. The Board's logic, as detailed in paragraph 512 of Statement 133, remains persuasive. For example, paragraph 512 notes that "although the face or contract amount of derivative instruments held provides some indication of derivatives activity, their usefulness for that purpose may be suspect given that some derivatives are commonly neutralized either by canceling the original derivative – which lowers the reported amount – or by acquiring or issuing an offsetting derivative – which increases the reported amount."

Issue 6

The Department agrees with not requiring the disclosure of aggregate notional amounts that no longer exist at the end of the reporting period.

Issue 7

The Department agrees that only hedges meeting Statement 133 requirements should be disclosed as hedges. Disclosing other "economic hedges" would be somewhat arbitrary and not comparable across institutions.

Issue 8

The Department suggests that the Board consider requiring disclosure of one or more measures of potential risk under usual conditions such as value at risk ("VaR") to provide more relevant information to users.

Issue 9

The Department agrees that examples are helpful. If examples are not provided, those institutions who might slavishly follow the Board's examples are the most likely to copy others' disclosures and provide boilerplate disclosures.

Issue 10

The Department agrees with the Board's decisions in the interests of issuing guidance more promptly.

Issue 11

The Department agrees with the proposed timing.

Additional comments:

* While the Department understands that paragraph 3a is a principles-based approach to disclosing useful information, it expects that this will create at least some initial disputes between institutions and their external auditors regarding the extent of detail to be provided. As the Department agrees with the objectives of paragraph 3a, it encourages the Board to proceed with this approach.

If you have any questions or if you would like to discuss our comments, please call me at (212) 709-1532 or email me at john.mcenerney@banking.state.ny.us.

Very truly yours,

John McEnerney
Chief of Regulatory Accounting