

#### Robert Axel

Vice President, Chief Accountant

#### The Prudential Insurance Company of America

213 Washington Street, NJ-02-09-05, Newark NJ 07102-2992 Tel 973 802-3555 Fax 973 367-8444

September 12, 2007

Russell G. Golden Director of Technical Application and Implementation Activities Financial Accounting Standards Board 401 Merrit 7 P.O. Box 5116 Norwalk, CT 06856-5116

RE: Proposed FSP FAS 140-d

LETTER OF COMMENT NO. 3

Dear Mr. Golden:

Prudential Financial is pleased to have the opportunity to comment on proposed FASB Staff Position FAS 140-d "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions". Our comments are outlined below:

## Presumption that the transactions are linked (paragraph 3)

We disagree with the Board's presumption in paragraph 3 that the repurchase financing transactions are linked unless the criteria in paragraph 7 are met. We believe that the presumption should be that the transactions are not linked unless evidence to the contrary is present. Guidance surrounding this evidence should be provided and should include consideration of the following:

- Intent: The intent of the participants should be considered in determining whether the transactions are linked or de-linked. In addition, the execution of such transactions by different operations groups (e.g. trading desk for initial purchase/sale and repo/lending desk for repo) should be considered.
- Timeframe: The timeframe between the initial transfer and the subsequent repurchase financing should be evaluated in determining whether the transactions should be linked or de-linked. The longer the timeframe between the two transactions would be evidence that the transactions should not be linked; conversely, the shorter the timeframe between the two transactions would be evidence that the transactions could be linked.
- Use of the same counterparty
- Overall strategy used by the company in regard to repurchase financing transactions

### Timeframe (paragraph 4):

Paragraph 4 states that 'the lapse of time between the initial transfer and the repurchase agreement is not relevant when determining if the transaction is a repurchase financing within the scope of this FSP'. We believe this provision to be impractical and a reasonable time threshold should be established. It would be operationally burdensome to evaluate and account for transactions for which a long period of time has elapsed

between the initial purchase and the subsequent repurchase financing. We recommend that the Board implement guidance that would provide for a reasonable timeframe. If the two transactions occur outside of the timeframe they would be considered 'de-linked'. Not only would this clarification ease the administrative burdens of the proposed guidance, it would more closely follow the intent of the transactions.

# Scope Clarification

The Board should clarify the scope of the FSP and specifically identify the transactions that are within the scope. Paragraph 4 and footnote 1 indicate that the proposed FSP refers to repurchase transactions only. However, footnote 2 indicates that the legal form of the repurchase financing may vary and the substance of the transaction should be considered to determine whether a repurchase financing exists. We request that the Board more clearly state what types of transactions would be covered by the guidance. Specifically, would the purchase of a financial asset that was subsequently lent out under a securities lending agreement be subject to this guidance?

### Procedures, Controls, Systems, Costs, etc.

Controlled implementation of the proposed FSP as drafted would require changes to procedures, controls and systems, which would not be cost beneficial. To avoid manual tracking and accounting, systems that support repurchase transactions would need to be linked with systems that house the financial instruments. Additionally, in companies where there is segregation between the units responsible for the two transactions, additional controls will need to be put in place to ensure the individual transactions can be linked and accounted for as required by the proposed FSP. This may be difficult as often multiple acquisitions using multiple counterparties can be grouped together under a single repurchase agreement.

There will be significant efforts required to have a controlled process in place by the effective date, particularly with the implementation of other major guidance occurring effective January 1, 2008. The implementation of this guidance, if adopted as proposed, should be deferred until later in 2008.

Once again, Prudential Financial appreciates the opportunity to express its views on this issue. Should you have any questions on our comments, please contact me.

Sincerely,

Robert Axel

Vice President & Chief Accountant

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