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March 2, 2007



LETTER OF COMMENT NO. 10

Technical Director
File Reference No. 1510-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Proposed Statement, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (File Reference No. 1510-100)

We appreciate the opportunity to respond to the proposed Statement, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*. We agree with the Board's stated objectives of providing an enhanced understanding of how and why an entity uses derivative instruments and of how derivative instruments and related hedged items are accounted for under Statement 133 and related interpretations, and providing improved transparency into the overall impact that derivative instruments have on an entity's financial position, results of operations, and cash flows. We believe that this proposal will help with achieving the stated objectives.

While we support the issuance of the proposed Statement, we do note some aspects of the proposal where additional clarity would be helpful. Our specific comments on the proposed Statement are set forth below.

Contingent Features

We agree with the Board's decision to require the disclosure of the existence and nature of "contingent features." However, due to the nature of derivatives, in particular freestanding options and other similar instruments, we believe the term "contingent features" is overly broad. To limit the meaning of the term to that intended, we believe the term should be defined either in the body of the Statement or the Appendix.

We agree with the Board's decision to require disclosure of the aggregate fair value of assets that would be required to be posted as collateral or transferred in the event a contingent feature were triggered. However, we believe the disclosure requirement should not be limited to assets. We believe paragraph 3(c)(c) should be expanded to also require



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disclosure of the fair value of an entity's equity that could be required to be posted as collateral or transferred in the event a contingent feature were triggered.

Leverage Factors

The proposed Statement would require entities to disclose the estimated magnitude that leverage factors have on a derivative instrument's notional amounts and underlying risk. We believe the meaning of the term "leverage factors" is unclear in the context of paragraph 3(b)(e) of the proposed Statement and should be clarified.

Repetitive Disclosures

Paragraph 3(f)(a) of the proposed Statement addresses disclosure requirements for derivative instruments and certain nonderivative instruments that have been designated and qualified as fair value hedging instruments and for the related hedged items. The paragraph requires the disclosures of "the net gain or loss recognized in earnings during the reporting period representing (a) the amount of the hedges' ineffectiveness and (b) the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness...and the amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge."

These disclosures are repetitive with the requirements in paragraph 3(b)(c) and (d) of the proposed Statement. Specifically paragraph 3(b)(c) provides that "Gains and losses shall be presented separately for derivative instruments designated and qualifying as hedging instruments in fair value hedges. At a minimum, the amount excluded from effectiveness testing shall be provided separately..." Paragraph 3(b)(d) goes on to provide "The gains and losses associated with related hedged items...no longer in a designated hedging relationship at the end of the reporting period shall be reported on an aggregate basis.... and presented in the same separate categories as those listed in subparagraphs (c)(1)-(c)(6)."

Paragraph 3(f)(b)(4) of the proposed Statement addresses disclosure requirements for derivative instruments that have qualified as cash flow hedging instruments and for the related hedged transactions. The paragraph requires disclosure of "the amount of gains and losses reclassified into earnings as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur by the end of the originally specified time period or within the additional period of time specified in paragraph 33."



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This disclosure is repetitive with the requirements in paragraph 3(b)(d) of the proposed Statement. Specifically paragraph 3(b)(d) requires disclosure of the, "location and amount of gains and losses reported in the statement of financial performance (or when applicable the statement of financial position) on derivative instruments that existed during the reporting period but are no longer held at the end of the reporting period and on related hedged items that existed during the reporting period or are no longer designated in a hedging relationship at the end of the reporting period....For items in this subparagraph, gains and losses shall be presented in the same separate categories as those items listed in subparagraphs (c)(1)-(c)(6)."

We recommend such repetitive disclosures be consolidated to enable a reader to locate all pertinent information in one area.

Comparative Disclosures

The proposed Statement would require comparative disclosures in years after initial adoption. Paragraph 7 of the proposed Statement does not explicitly provide whether such comparative disclosures are required for the balance sheet and income statement. While Appendix A clarifies that the comparative information for balance sheet related items is not required, we recommend clarifying the comparative disclosures required in the body of the Statement.

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If you have any questions about our comments or wish to discuss any of the matters addressed herein, please contact Mark Bielstein at (212) 909-5419, Enrique Tejerina at (212) 909-5530, or Robert Hilbert at (212) 909-5303.

Sincerely,

KPMG LLP