



February 25, 2007

LETTER OF COMMENT NO. 21

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 of Financial Accounting Standards “*Disclosures about Derivative Instruments and Hedging Activities – An amendment of FASB Statement No. 133*”

Dear Technical Director:

We appreciate the opportunity to respond to this issue. SNL Financial - the premier multisector-focused information and research firm - collects, standardizes and disseminates all relevant corporate, financial, market, M&A data, news, and analysis for the banking, specialized financial services, insurance, real estate, energy, and media/communications industries. We are in a unique position to reflect upon the financial information needs of our diverse client base including leading investment banks, investment managers, corporate executives, ratings agencies, government agencies, consulting law firms, and several major media publications.

We acknowledge that derivative instruments and the related accounting treatments have become quite diverse, complex, and difficult to disclose adequately to the investors and other stakeholders of an entity. Yet, for some entities and in certain industries, these derivative arrangements are integral to their overall corporate strategy – impacting financial and operating decisions. We strongly encourage the direction of the proposed amendment to Statement No. 133 and the intention to enhance the basic understanding of derivatives and hedging activities. We do, however, have a few concerns and suggestions that we believe should be included in your consideration process.

Issue 1: Prescriptive guidance for presentation and classification in the financial statements excluded from this project’s scope. We agree. In a perfect world, we would appreciate all entities reporting derivative and hedging transactions in a similar, standardized manner, to facilitate comparisons of the financial statements; however, the unique nature of these instruments and management’s intended use can vary widely, thus precluding a standardized accounting treatment. Please note, though, we only agree with excluding the prescriptive guidance in light of the additional transparency gained through fuller and more meaningful disclosures and discussions in the notes to the financial statements and the extensive tabular format proposed in Appendix A.

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Issue 2: Application of this proposed Statement to both public and private companies. We see no reason to exempt private companies from this standard and the related disclosure requirements. Perhaps private entities not registered with the SEC could be permitted to omit the tabular reporting requirements for interim reporting periods, but the tabular presentation and discussions should be an integral part of their audited annual report. All firms – public and private - that extensively utilize derivative and hedging transactions should report and disclose these transactions in the same manner.

Issue 3a: Tabular format for derivative instruments, hedged items, and related gains and losses reported by primary underlying risk, accounting designation, and purpose. We are very pleased with the requirement of tabular reporting for derivative and hedging disclosures. We believe it will be easier for entities to communicate the nature and intent of these activities and will vastly enhance our ability to assist our clients with corporate comparisons and trending. The tabular presentation is also consistent with the SEC’s recent guidance for tabular presentations required for Executive Compensation in the proxy statements.

We believe the presentation could be strengthened by the addition of a summary table. The requirement for individual tables (or “subtables”) segmented by underlying risks is essential to understanding the nature, volatility, and financial impact of these transactions; but, in some larger and more derivative-intensive companies this requirement could result in a large number of pages that could grow unwieldy. By adding a summary table that provides rollups of key fields of all the subtables, a natural reconciliation would be created and the users of the financial statements would gain greater confidence that they were considering all the derivative and hedging transactions of the company.

Issue 3b: Significant operational concerns or constraints in compiling the information. We are concerned that, over time, entities and their auditors may choose to use their own wording and design for the column headings and row labels, thus compromising the integrity of the table for historical and peer comparison purposes. Adding additional columns/rows or omitting non-relevant columns/rows may be necessary for a company to avoid confusion, however the core structure of the table should be standardized to facilitate reporting and comparisons. Deviation from the core table structure, headings, and label should be permitted only under unusual circumstances surrounding the derivative and hedging arrangements and should be well explained in the notes to the table.

We suspect that some smaller, less derivative-intensive companies may find the tabular reporting burdensome. In these cases, the Board might consider allowing the smaller businesses (perhaps those that do not meet the SEC’s definition of Large Accelerated Filers or Accelerated Filers) to report these tables as part of their audited annual statements. The larger firms and those that use derivatives and hedges extensively, however, should report this table for both interim and annual reporting periods.



Issue 4: Disclosing contingent features in derivative instruments. Contingent features are critical when assessing the ultimate consequence and risk of these transactions. We would prefer the Board add an additional field in the required table to highlight this. It could be as simple as “Yes” or “No” flag that would alert the users of the table to look in the notes for further discussions regarding the contingent features of certain derivative activities.

Issue 5 and 6b: Disclosure of notional and fair value amounts in tables if the derivative exists at the end of the reporting period. We agree that the notional amounts are critical in understanding the nature and impact of the derivative. We would prefer to see disclosed the notional and fair value amounts at the beginning of the period and the notional and fair value amounts at the end of the period for the greatest transparency of these transactions. This would entail adding an additional line or column to an already complex series of tables, but it would provide the most complete picture of the company’s activities.

Issue 6a: Disclosure of gains and losses on derivative instruments that existed during the period, regardless of whether the derivatives exist at the end of the reporting period. We agree. These gains and losses must be disclosed to help the users of the financial statements understand the volatility in earnings.

Issue 7: Disclosure of information about “hedged items” that are not designated and qualifying hedged relationships per Statement 133. Hedging activities that are not designated and are not qualified under Statement 133 should be disclosed in a) a separate section of the table, b) in the footnotes to the tables, or c) in the accompanying discussion text; but not commingled with those that meet the criteria and definition of Statement 133 and reported in the body of the tables. The information for non-designated and non-qualifying hedge arrangements is useful to financial statement users if for no other reason than to disclose that the company has other "risk-oriented" activities.

Ideally, it would be most helpful to have all the hedging activities on one table – but not commingled – to allow for the least amount of confusion and to allow for easy identification of the company’s full hedging activities. Our opinion would not be affected by the upcoming Statement on the fair value option because all companies are not required to adopt that Statement. It will not facilitate cross-company comparisons of hedging activities.

Issue 8: Quantitative and qualitative information provided for in paragraphs 44 and 45 of Statement 133. The level of detail and discussion is extremely comprehensive. Those companies that are not particularly derivative and hedging intensive may find the discussion requirements excessive both interim and annual reporting periods. Perhaps the Board could permit these entities to update the narrative only for the annual reporting purposes – but continue to include it in the interim reports.



Issue 9 and 10: Perception of the examples and amendments not considered. We believe that most entities will need to customize their qualitative disclosures and the examples will not be viewed as a prescribed method. Similarly, when a company is discussing its rationale for utilizing derivatives and hedges and the related performance, it may be a natural connection to include a discussion of the company's overall risk profile and assess the hedge effectiveness. We, however, would prefer to leave the decision for inclusion up to the reporting entity rather than prescribing it.

Issue 11: Effective date for fiscal years and interim periods ending after December 15, 2007. This would be a desirable implementation strategy for our purposes. We especially appreciate that most entities with a fiscal year ending on December 31, 2007 will have the benefit of the assistance and collaboration with their auditors to ensure that the implementation of the table format and the narrative are compliant with the new Statement upon first adoption. We would prefer this over an effective date that would require entities to first report the new tabular format during an interim period.

Thank you for your significant efforts and consideration to enhance the disclosure of derivatives and hedging activities. It will substantially enhance the usefulness of the financial statement for shareholders, creditors, analysts, and other stakeholders of the company. We would be glad to discuss our comments with the Board members or the FASB staff at your convenience.

Very truly yours,

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