LETTER OF COMMENT NO. 41

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

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

Intel is pleased to respond to your request for comment on the FASB's proposed standard *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133.* We agree with the FASB's conclusion that enhanced disclosures are needed to provide adequate information on the effects that derivative activities have on an entity's financial statements. Our comments primarily focus on the transition requirements and the content and organization of the tabular disclosure. We believe implementation of our comments would increase the benefits for financial statement users while lowering the cost for preparers.

First, we believe the effective date should align with the effective date of SFAS 157, *Fair Value Measurements.* Implementation of the proposed standard will require systems changes to gather the requisite information and present it in a useable, auditable manner. We believe many constituents will face substantial overlap between the systems affected by and the development resources required to implement both the proposed standard and SFAS 157. By aligning the timing, the Board would mitigate the potential for SFAS 157 project disruption and reduce the total implementation cost of both standards.

Second, we agree with the objectives of the proposed standard but believe that the disclosures meet those objectives to varying degrees. Information about the purpose of derivative programs and the notional amounts provides an enhanced understanding of how and why an entity uses derivatives and their effect on an entity's financials statements. While information about the location of derivative instruments provides information about how derivatives affect an entity's financials, the level of detail reduces the ability to obtain a concise understanding. We believe that the disclosures could provide more decision useful information and meet the proposed standard's stated objectives by providing additional information about the nature of risks and consolidating the information about the location of derivative instruments. To that end, we propose the following recommendations:

- To increase emphasis on nature of risk, we recommend requiring categorization by "direction of exposure" (e.g. long or short; purchase or sale; receive or pay fixed; etc.), and by nature of instrument (e.g. right or commitment; option or forward; etc.). This change would better enable users to assess risk as it would provide visibility to an entity's net risk exposures.

- To streamline the overall presentation, we recommend combining the underlying risk exposure with the category description of each row in the "risk exposure" table. We believe having separate tables would result in a lengthy presentation, even for entities with relatively modest derivative activities.

- We recommend removing the balance sheet and income statement classification "categorizations" from the interior of the risk exposure table and replacing these with a second table that summarizes the balance sheet classification. We believe the income statement classification information could be provided in footnotes to the risk exposure table. For brevity's sake, we believe that the emphasis should be on significant non-offsetting effects for qualified designated hedges, and on all effects for non-designated derivatives.

- We believe users would benefit from two additions to the risk exposure table: a second year of balance sheet disclosure and categorized quantitative disclosure of the components of accumulated other comprehensive income (AOCI) related to anticipated transaction hedging activities. The second year of balance sheet disclosure would enable users to more easily identify changes and trends in derivative activities. The categorized AOCI disclosure would better enable users to predict the effects of specific hedging activities on future results.

We have provided an example of the preceding recommendations in Exhibit A.

Finally, we believe that the contingent feature disclosure requirements should not be required for any remote events. The proposed standard provides an exception for only remote *default* provisions. We believe a requirement to disclose remote contingencies that are not default provisions could result in significant process cost, a lengthy presentation that would detract from the value added by other derivative disclosures, and little benefit for financial statement users. We believe users would benefit most from a more streamlined disclosure of decision-relevant contingencies.

Thank you for your consideration of the points outlined in this letter. We appreciate the opportunity to comment, and hope that you will consider our comments. We would be happy to answer any questions that you might have and assist you in the further development of the underlying details. If you have any questions, please contact me at (408) 765-5545, or Tonya Stevens, Treasury Accounting Controller, at (503) 696-3221.

Sincerely,

Leslie Culbertson
Vice President, Director of Corporate Finance

Description and Illustration of Tabular Disclosure Proposal

As mentioned previously, we are proposing two types of tables. The key characteristics of the first (and most critical) type of table are:

1. Separate horizontal sections for each designation type, similar to the current structure

2. Within each horizontal section, rows categorized by:
   - Type of derivative (e.g. commitment, right, swap, etc.)
   - Nature of risk (currency, interest rate, equity market price, etc.)
   - Direction of exposure (e.g. long, short, purchase, sale, receive/pay fixed/floating, etc.)
   - Nature of hedged item (for designated derivatives) or purpose (for non-designated derivatives)

3. Up to two vertical sections, one for each period presented

4. Within each vertical section, four columns of data:
   - Notional outstanding at year-end (expanded footnote description where appropriate)
   - Net fair value recorded at year-end
   - Net deferred gains (the sum of accumulated other comprehensive income plus deferred tax) for anticipated transaction hedges; and changes in the included component of hedged item fair values for fair value hedges, both at year-end
   - Net P&L effect recorded during the period, with additional footnoted disclosure required to explain magnitude and location on the income statement of the following: [i] effective hedge / hedged item P&L effects recorded in separate lines on the income statement; [ii] significant hedge P&L effects for ineffectiveness or excluded components; and [iii] P&L effects of non-designated derivatives.

Notable additions include the addition of "direction of exposure" as a category, which would allow users to assess the specific market risks associated with derivative activities; and the data on deferred gains and losses, which will allow users to better understand the composition of accumulated other comprehensive income associated with anticipated transaction hedges (including historical programs for which no derivatives are currently outstanding). These additions have replaced categorization by financial statement line item. Also notable is the addition of a second year of disclosure for balance sheet items (after full transition). We believe this structure would provide an improved basis for understanding a company's derivative strategies.

Some of the information removed from the first table would be provided, albeit in a slightly more aggregated form, in the second table. This table would have [i] one row for each balance sheet line item where derivative balances are recorded; and [ii] up to two columns of data providing the year-end fair value totals for each row. We believe this presentation would provide users with the information they need to understand the effects of derivative activities on the balance sheet. We believe that a more granular or complicated presentation of balance sheet effects (by specific hedging activity, for example) would actually detract from a user's ability to discern the effects of derivative activities on decision-relevant balance sheet metrics.

The following are actual examples of the tabular disclosures described in this letter. All amounts are for illustrative purposes only.

Risk Exposure

For Fiscal Years Ended December 30, 2006

Amounts in millions unless otherwise specified (Not including Notional section which defines units)

Derivatives Designated and Qualifying as Cash Flow Hedges

Hedged Item	Exposure Type	Notional	Units	Derivative FV	Deferred[1]	Net P&L Eff.[2]
Forecasted operating expenses	Forward commitments to buy foreign currency with USD	800,000,150	USD	$ 10.00	$ 9.85	$ 0.15
Forecasted operating expenses	Rights to buy foreign currency with USD	155,236,000	USD	2.00	1.00	[illegible]
Forecasted capital expenditures[3]	Forward commitments to buy foreign currency with USD	51,235,000	USD	1.00	(60.20)	(8.70)
Recognized variable-Rate USD debt securities (AFS)	Receive USD fixed / pay USD floating interest rate swap	500,001,000	USD	(6.00)	(5.00)	[illegible]
Recognized variable-rate EUR debt securities (AFS)	Receive USD fixed / pay EUR floating interest rate swap	300,500,000	EUR	2.10	2.00	0.10
Forecasted purchase of public equity securities	Rights to buy equity securities with USD	2,000,000	Shares	1.50	0.50	[illegible]

Derivatives Designated and Qualifying as Fair Value Hedges

Hedged Item	Exposure Type	Notional	Units	Derivative FV	Δ Hdg Item FV	Net P&L Eff.
Gold inventory	Futures commitments to sell gold for USD	100,000	Oz.	$ 15.00	$ 14.50	$ 0.50
Recognized fixed-rate USD debt issuance	Receive USD fixed / pay USD floating interest rate swap	50,000,000	USD	3.50	3.50	[illegible]

Derivatives Not Formally Designated and Qualifying as Hedges

Purpose	Exposure Type	Notional	Units	Fair Value		Net P&L Eff.
Offset remeasurement on net monetary assets	Forward commitments to sell foreign currency with USD	200,560,000	USD	$ 12.50		$ 3.50
Offset remeasurement on net monetary liabilities	Forward commitments to buy foreign currency with USD	45,600,000	USD	(3.60)		(1.20)
Strategic investment	Rights to buy private equity shares with USD	10,000,000	Shares	12.70		2.50
Embedded equity derivatives	Rights to buy public equity shares with USD	5,600,000	Shares	21.70		7.20
Forward commodity purchases not qualifying as normal purchases	Forward commitments to buy gold with USD	20,000	Oz.	1.20		(0.50)
Recognized fixed-rate USD debt securities (trading)	Receive USD floating / pay USD fixed interest rate swap	1,980,000,000	USD	15.70		3.00
			Total Fair Value of Derivatives	$ 90.30		

1. Deferred includes outstanding balances in Accumulated Other Comprehensive Income plus net deferred taxes associated with the derivative gains/losses
2. Net P&L effect for derivatives designated and qualifying as cash flow hedges includes 1) amounts for gains and losses excluded from the assessment of effectiveness, 2) amounts for ineffectiveness of hedging instruments and 3) amounts reclassified from OCI because the hedged item affected earnings
3. Forecasted capital expenditures includes forecasted expenditures for construction activity as well as forecasted purchases of machines and equipment

For Fiscal Years Ended December 31, 2005

Amounts in millions unless otherwise specified (Not including Notional section which defines units)

Derivatives Designated and Qualifying as Cash Flow Hedges						
Hedged Item	**Exposure Type**	**Notional**	**Units**	**Derivative FV**	**Deferred[1]**	**Net P&L Eff.**
Forecasted operating expenses	Forward commitments to buy foreign currency with USD	601,200,000	USD	$ 8.20	$ 7.00	$ 1.20
Forecasted operating expenses	Rights to buy foreign currency with USD	50,300,000	USD	2.50	1.00	
Forecasted capital expenditures[3]	Forward commitments to buy foreign currency with USD	90,200,000	USD	2.50	(70.80)	(9.20)
Recognized variable Rate USD debt securities (AFS)	Receive USD fixed / pay USD floating interest rate swap	900,000,000	USD	(3.50)	(3.50)	

Derivatives Designated and Qualifying as Fair Value Hedges						
Hedged Item	**Exposure Type**	**Notional**	**Units**	**Derivative FV**	**Δ Hdg Item FV**	**Net P&L Eff.**
Recognized fixed-rate USD debt issuance	Receive USD fixed / pay USD floating interest rate swap	50,000,000	USD	$ 2.00	$ 2.00	$ -

Derivatives Not Formally Designated and Qualifying as Hedges						
Purpose	**Exposure Type**	**Notional**	**Units**	**Fair Value**		**Net P&L Eff.**
Offset remeasurement on net monetary assets	Forward commitments to sell foreign currency with USD	300,920,514	USD	$ 10.30		$ 4.70
Offset remeasurement on net monetary liabilities	Forward commitments to buy foreign currency with USD	45,600,000	USD	(7.80)		(3.20)
Strategic investment	Rights to buy private equity shares with USD	10,000,000	Shares	9.81		3.40
Embedded equity derivatives	Rights to buy public equity shares with USD	5,600,000	Shares	19.70		4.20
Recognized fixed-rate USD debt securities (trading)	Receive USD floating / pay USD fixed interest rate swap	2,150,413,200	USD	19.20		4.80

Total Fair Value of Derivatives $ 62.91

1. Deferred includes outstanding balances in Accumulated Other Comprehensive Income plus net deferred taxes associated with the derivative gains/losses
2. Net P&L effect for derivatives designated and qualifying As cash flow hedges includes 1) amounts for gains and losses excluded from the assessment of effectiveness, 2) amounts for ineffectiveness of hedging instruments and 3) amounts reclassified from OCI because the hedged item affected earnings
3. Forecasted capital expenditures includes forecasted expenditures for construction activity as well as forecasted purchases of machines and equipment

Balance Sheet Classification

Amounts in millions unless otherwise specified

	Derivative Fair Values At Fiscal Years Ending	
Balance Sheet Line Item	**Dec 30, 2006**	**Dec 31, 2005**
Other Current Assets	$ 60.00	$ 40.20
Other Long-Term Assets	38.90	34.01
Other Current Liabilities	(3.60)	(7.80)
Other Long-Term Liabilities	(5.00)	(3.50)
Total Fair Value of Derivatives	$ 90.30	$ 62.91