



COLGATE-PALMOLIVE COMPANY

A Delaware Corporation
VIA E-MAIL

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August 13, 2008

Mr. Russell G. Golden
Technical Director
File Reference No. 1590-100
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116



LETTER OF COMMENT NO. 17

Re: File Reference No. 1590-100, Proposed Statement of Financial Accounting Standards, *Accounting for Hedging Activities – an amendment of FASB Statement No. 133*

Dear Mr. Golden:

Colgate-Palmolive Company (Colgate) appreciates the opportunity to comment to the Financial Accounting Standards Board (the FASB or the Board) regarding the Proposed Statement of Financial Accounting Standards (“SFAS”), *Accounting for Hedging Activities – an amendment of FASB Statement No. 133* (the Proposed Statement). We generally support the Board’s objectives to simplify accounting for hedging activities, improve financial reporting of hedging activities and resolve practice issues. However, we believe the following two practical concerns are left unresolved by the revised language in the Proposed Statement, and accordingly we seek further clarification prior to the release of a final standard:

- **Intercompany transactions:** our review of preliminary interpretive guidance seems to indicate that the updated wording in the first part of paragraph 40, which reiterates the paragraph 29(c) guidance with regard to consolidated exposure, is being interpreted in a variety of ways. Preliminary guidance from at least one major accounting firm indicates that this wording change has fundamentally altered, and limited, the types of intercompany transactions which can be designated as hedged risks. However, another interpretation is that the change to paragraph 40 is merely clarifying guidance and is not meant to change the types of transactions eligible for hedge accounting, which is driven by the statement in the Summary section of the Proposed Amendment that “the same types of items and transactions currently eligible for hedge accounting would continue to be eligible under this proposed Statement.” Also, paragraph 40 of SFAS 133 supports this second interpretation as it states that “a forecasted intercompany transaction (for example, a forecasted sale to a foreign subsidiary or a forecasted royalty from a foreign subsidiary)” can qualify for hedge accounting, and the background guidance included within Appendix C, paragraphs 482-487 provides support for that rationale. We believe further clarification would be helpful in light of the differing interpretations.



- Voluntary de-designation: the Proposed Amendment appears to remove the ability to voluntarily discontinue hedge accounting by simply removing the designation of the hedging relationship. However, we request clarification in the specific case of a cash flow hedge of the receipt or payment on a forecasted foreign currency-denominated transaction (i.e., a forecasted foreign currency-denominated sale or purchase) which becomes a recognized asset or liability during the hedging period. For example, a cash flow hedge could be established on 1/1/20XX with a 5-month forward contract for the anticipated foreign currency-denominated inventory purchase with cash payment expected on 5/31/20XX (the forward date), for which receipt of the inventory is expected on 3/31/20XX. We believe it is common in practice for entities, at the date the forecasted foreign currency-denominated transaction becomes a recognized asset or liability (3/31/20XX in our example), to de-designate the cash flow hedge, since the recognized foreign currency-denominated asset or liability will now be translated each period end under the guidance of SFAS 52, with the resulting gains/losses recorded to the same income statement account as the derivative gains/losses. Is the Board's intent in the Proposed Statement to preclude voluntary de-designation of such cash flow hedges at the date the forecasted foreign currency-denominated transaction becomes a recognized asset or liability? If so, we are unclear as to the benefits of this change to the existing standard given the unique attributes of foreign currency-denominated forecasted transactions.

We also noted that the Proposed Statement includes new disclosure requirements. Since SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133* (SFAS 161) was recently released, is yet to take effect, and requires robust new disclosure of an entity's hedging activities, it seems unusual that the Proposed Statement would include incremental disclosure requirements. We recommend removing any additional disclosure requirements and merely amending accounting requirements with the Proposed Statement.

We appreciate the Board's consideration of these matters and welcome the opportunity to discuss any questions you may have.

Sincerely,

/s/ 

Stephen C. Patrick
Chief Financial Officer
Colgate-Palmolive Company