



April 10, 2007

LETTER OF COMMENT NO. 62

Mr. Lawrence Smith
Director of Technical Application and Implementation Activities
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(File No. 1510-100)

Dear Mr. Smith:

The Accounting Standards Executive Committee of the American Institute of Certified Public Accountants ("AcSEC") appreciates the opportunity to comment on the Exposure Draft ("ED") of the proposed Statement of Financial Accounting Standards, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 ("the ED"). AcSEC recognizes and supports the objective of the ED to develop an enhanced disclosure framework for derivative instruments and related hedged items and to provide greater transparency to users of financial statements. AcSEC understands that issuing this Statement may be an interim step in a broader project to cop an overall framework for comprehensive disclosures of all financial instruments, risk profiles, and related risk-management activities. AcSEC agrees that the proposed disclosures in the ED are a step in the right direction toward achieving that broader goal and generally supports the ED's objective to provide timely enhanced disclosures about derivatives and how an entity uses those instruments as an immediate goal.

We do, however, have a concern regarding whether the newly required disclosures would meet the full concerns addressed by financial statement users. While providing enhanced disclosures surrounding an entity's use of derivatives by underlying risk, accounting designation, and purpose potentially provides financial statement users more useful information regarding the amount and use of derivatives, the proposed disclosures only provide a portion of an entity's overall risk management strategy. AcSEC, therefore, urges the Board to move forward as quickly as possible to develop additional disclosures about risks associated with all financial instruments. As certain Board members have expressed in the ED, derivative instruments could be part of a larger hedging or risk management strategy and users need disclosures about the risks of all financial instruments.

The primary focus of the ED is disclosures about designated and qualifying hedges that fall under the scope of FASB Statement No. 133. The issuance of FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* may lead to many hedging strategies that no longer include designated and qualifying Statement 133 hedging relationships. AcSEC notes that one of the goals of the ED is to address the transparency of how all derivatives will affect results of operations and future cash flows. We are unsure exactly how the proposed requirements will provide necessary information to financial statement users regarding effects on results of operations

and cash flows caused by all derivatives and derivative specific hedging strategies, compounded by the fact that entities will be using less qualifying hedge derivatives.

We recommend that the effective date of the proposed Standard be delayed for one year. One of our immediate concerns is that issuers may not have systems currently in place recording information as would be required by the ED. Sufficient time will be required to make necessary process and system enhancements to break-out information as required and those enhancements will not begin until a final standard is issued. These process and system issues will be more pervasive based on the increased complexity and extent of derivatives use. If the Board agrees to delay the effective date, we recommend that early adoption be encouraged.

To facilitate a cost-beneficial adoption of the final standard we suggest alternatives be considered for required disclosures. We recommend that entities that have very limited use of derivatives and hedging strategies be able to present both the qualitative and quantitative characteristics in a non-tabular format.

We have provided certain specific comments below and have provided more specific comments to the Issues in the enclosed attachment.

Guidance to Include in the Scope Section

1 e are several instances in which substantive guidance related to the scope of the ED is contained in the Appendices to the ED rather than in the body. We recommend in these instances that the guidance be moved to the body of the ED as discussed below:

Effective Date and Transition: Paragraph A4 of the ED states that, "Comparative information for balance sheet items is not required. When applicable, comparative information for income statement related items is required for two years." Because of its importance in the application of the ED, we recommend that this guidance be moved to the body of the ED, either to the "Scope" section, the disclosure amendments section, or to the "Effective Date and Transition" section.

Embedded Derivatives and Hybrid Instruments: Paragraph B5 states that, "An embedded derivative separated from a host contract and accounted for as a derivative instrument pursuant to the guidance in FASB Statement No. 133 would be included in the scope of this proposed Statement. A hybrid instrument (a) that under paragraph 12 of FASB Statement No. 133 would be required to be separated into a host contract and a derivative instrument and (b) that an entity measures at fair value in its entirety based on the guidance in paragraph 16 of Statement 133 would not be included in the scope of this proposed Statement." AcSEC believes that this is important guidance that should be moved up to the "Scope" section of the ED.

Proportions of Derivative Instruments: Paragraphs A7 and A8 indicate "Where a proportion of the derivative instrument is designated and qualifying as a hedging instrument and a proportion is not designated and qualifying as a hedging instrument, an entity would allocate the related amounts to the appropriate accounting designation and purpose section within the disclosure table." It also indicates, "Where a derivative instrument is designated and ying as a hedging instrument for a portion of the reporting period and not designated and qualifying as a hedging

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instrument for a portion of the reporting period, an entity would allocate the related amounts to the appropriate accounting designation and purpose sections within the disclosure table." AcSEC believes that this scope guidance is also important for a financial statement preparer and recommends including the guidance as part of the "Scope" section of the ED.

Examples provided in the ED

AcSEC believes that the example included within the ED provides additional clarification of the new and amended disclosure requirements. However, as we discuss in our response to Issue 9, we believe that providing only one example may be perceived as the "one" prescribed method, and therefore, suggest that the FASB provide additional examples to show alternative disclosure methods based on different types of underlying risk, accounting designations and purposes.

AcSEC also suggests that the FASB consider allowing quantitative information to be presented in a narrative discussion format. We believe in certain instances in which an entity has a very limited use of derivatives and hedging strategies, the required disclosures of quantitative information may be presented in a non-tabular form.

thank the Board for its consideration and would welcome the opportunity to further discuss this matter with Board members and their staff.

Sincerely,

Benjamin Neuhausen Chairman Accounting Standards Executive Committee Richard J. Juntilla Chairman

Derivatives Disclosures ED Task Force

Attachment

Scope

Issue 1: The Board concluded that prescriptive guidance about how derivative instruments should be presented and classified in the financial statements should be excluded from the project's scope. Including presentation and classification guidance could potentially delay issuing a standard that would significantly improve the transparency about derivative instruments and hedged items. In addition, various presentation and classification issues related to derivatives and hedged items have an impact on the Board's current project on financial statement presentation and also would need to be addressed in the context of that project.

Do you agree with the Board's decision to exclude from the scope of this proposed Statement prescriptive guidance about how derivative instruments should be presented and classified in the financial statements? Why or why not? (See paragraphs B5-B11 for the basis for the Board's conclusions.)

AcSEC supports the FASB's goal of providing users of financial statements with enhanced transparency regarding the effects that derivative activities have on an entity's overall financial position, results of operations, and cash flows. As stated in the section of the ED entitled "Reasons for Issuing This Proposed Statement", some constituents believe that the disclosure requirements in FASB Statement No. 133 do not provide adequate information about derivative vivities, considering the increased use in recent years and complexity of derivative instruments and hedging vities. We acknowledge that FASB has taken a step forward by attempting to provide an enhanced disclosure framework that would address some of the user concerns.

We agree that guidance about presentation and classification is beyond the scope of this ED. However, we are concerned that some users of financial statements believe that the ED does not provide enough enhanced transparency to understand fully the strategies, disclosures, and risks of an entity's use of derivatives, hedging strategies, and overall risk management strategies, and therefore concur with this view. Accordingly, AcSEC urges the Board to move forward on a project to develop guidance that includes a complete and sound framework for reporting, including guidance surrounding presentation and classification, guidance on qualitative and quantitative disclosure surrounding an entity's overall risk management strategy including all financial instruments, and further guidance on items that may not be in designated and qualifying hedging relationships under FASB Statement No. 133.

AcSEC also believes that the need for a broader project becomes even more important with the issuance of both FASB Statements No. 157 and No. 159, both with required adoption for fiscal years beginning after November 15, 2007. With the adoption of these two standards, entities may reduce the amount of derivative instruments used in designated and qualifying hedging relationships. The emphasis for disclosures surrounding the usage of derivative instruments should be both from a qualitative and quantitative perspective and should include disclosure of an entity's overall risk structure and the use of nonderivative financial instruments. We believe that such risk strategies will become even more sophisticated in the coming years with the continued and increasing use of "economic hedges" and risk strategies developed in conjunction with the adoption of FASB Statement No. 159.

Issue 2: Statement 133 applies to both public and private entities. The requirements in this proposed Statement also d apply to both public and private entities.

Do you agree that this proposed Statement should apply to both public and private entities? Why or why not?

AcSEC agrees that the requirements of the proposed Statement should apply to both public and private entities. Private entities that prepare financial statements in accordance with generally accepted accounting principles (GAAP) should not be exempt from these potential GAAP amendments and requirements that may be helpful to users.

However, we recognize that required disclosure of the information in a tabular format may not be cost-beneficial for issuers with limited derivative usage and less complex derivative structures. We suggest that for issuers with few derivatives, an alternative non-tabular narrative format may be provided as an option, and, if the Board decides to permit such an alternative it would be helpful to include an example in the Appendix. AcSEC believes that alternative disclosures should be based on the complexity and extent to which derivatives are used and not on a public versus private distinction.

Costs of Implementing the Proposed Statement's Disclosure Requirements

Issue 3: This proposed Statement would require an entity to provide information on derivative instruments (including, but not limited to, notional amounts and fair value amounts), hedged items, and related gains and losses, by primary underlying risk, accounting designation, and purpose in the tabular format shown in Appendix A.

you foresee any significant operational concerns or constraints in compiling the information in the format required by this proposed Statement? Are there any alternative formats of presentation that would provide the data more concisely? (See paragraphs B18-B20 for the basis for the Board's conclusions.)

AcSEC is concerned about the ability of preparers of financial statements to comply with the new disclosure requirements by the proposed effective date. This is particularly true because many institutions will also be addressing implementation issues related to FASB Statements Nos. 157 and No. 159. AcSEC notes that for many preparers, particularly those with complex and significant use of derivatives within the scope of FASB Statement No. 133, there may be significant operational concerns in compiling the required information. We do believe that for many entities, systems enhancements and upgrades will be required as well as changes to the processes and controls for obtaining information that may not have been specifically tracked as required in the ED. Specifically, we understand entities are not tracking gains and losses for derivatives separately by asset positions, liability positions, or for those derivative positions no longer held at period end nor are they tracking this information separately by the potential accounting designations and purposes as proposed. Many entities, for example financial institutions or dealers, may have thousands of derivatives (including freestanding, trading, economic hedging and qualifying hedging derivatives) in both asset and liability positions, and do not currently track separately gross gains and losses depending on whether the derivatives are in asset or liability positions nor do they track separately for each derivative position terminated or ending before the period end. This information will require significant program and procedural changes, and additionally, may not be possible to retroactively obtain depending on the complexity and use of a firm's derivative use.

We also suggest that the final Standard clarify transition for interim disclosures to specifically identify when interim comparative information would be required.

AcSEC also has concerns about whether the disclosures should be required for every annual <u>and</u> interim period. The existing requirements for interim financial reporting indicate that interim financial statements are only an update to the annual financial statements and should include only material changes. We believe the disclosure requirements of the ED should be consistent with the SEC's standards for interim financial reporting.

Issue 4: This proposed Statement would require disclosure of (a) the existence and nature of contingent features in derivative instruments (for example, payment acceleration clauses), (b) the aggregate fair value amount of derivative instruments that contain those features, and (c) the aggregate fair value amount of assets that would be required to be posted as collateral or transferred in accordance with the provisions associated with the triggering of the contingent features.

Do you foresee any significant operational concerns or constraints in compiling that information for this disclosure? (See paragraphs B39-B42 for the basis for the Board's conclusions.)

As currently drafted, AcSEC believes the requirements to report contingent features will lead to diverse application, and that this requirement should be either removed or clarified. Further, it is unclear to us how this requirement benefits users and whether it meets the third objective of the ED.

With respect to potential diversity, there are different forms of "contingent" features that may be common in derivative instruments depending on the intent of the definition. For example, it is not uncommon for derivative instruments like those described in EITF Issue 01-6, *The Meaning of "Indexed to a Company's Own Stock*" to be contingently exercisable. In such instances, the contingency may be viewed as an additional underlying on a derivative instrument. This contrasts with the types of contingencies described by the Board in the basis for conclusions, which appear to focus on acceleration or cancellation clauses that are triggered by contingent events.

With respect to user benefits, the disclosures contemplated by the Board would effectively create an additional grouping of derivative instruments that share no similarities with respect to risk; their only commonality would be the presence of contingent features. We believe derivatives are more appropriately categorized by primary underlying risk as required in the ED, and that supporting qualitative disclosures of the item being hedged would provide sufficient information about the timing, likelihood, and potential cash impact of the contingent features.

If the Board retains this requirement, we believe all of the elements proposed in paragraph 3.c. of the ED should be reevaluated and redefined (for example, would equity shares posted as collateral require disclosure, since they are not assets as discussed in sub paragraph c?). If these elements are not redefined, entities will likely report dissimilar items because of different interpretations, causing more confusion and inconsistencies for users. Additionally, we believe that preparers are not currently tracking this type of information separately and will experience operational challenges in compiling the information necessary for this disclosure.

Disclosure of Notional Amounts

Issue 5: This proposed Statement would require disclosure of notional amounts in tables that also will include fair values of derivative instruments by primary underlying risk, accounting designation, and purpose.

Do you agree that this proposed Statement would require disclosure of notional amounts? Why or why not? (See paragraphs B21-B25 for the basis for the board's conclusions.)

Issue 6: This proposed Statement would require disclosure of gains and losses on all derivative instruments that existed during the reporting period regardless of whether those derivatives exist at the end of the reporting period. This proposed Statement would not require disclosure of the aggregate notional amounts related to those derivatives that existed during the reporting period but no longer exist at the end of the reporting period.

Do you agree that this proposed Statement should not require the disclosure of the aggregate notional amounts related to derivatives that no longer exist at the end of the reporting period? Why or why not?

AcSEC does not support the disclosure of notional amounts either for derivatives existing at the end of the reporting period or for derivatives that no longer exist at the end of the reporting period. Notional amounts are not reliable indicators of the true size and/or risk of derivatives used by an entity and may be misleading to users. For example, one entity (Entity A) may use one derivative contract (an interest rate swap with a notional amount of \$10mm) to hedge an existing asset or liability on the balance sheet. The required disclosure will indicate that this entity uses do introduce instruments in a fair value hedge to hedge the specific type of asset/liability and will include a notional at a unit of \$10mm. Another entity (Entity B) may use a series of derivative contracts (a series of 10 forward contracts with notional amounts totaling \$100mm) to hedge that same asset or liability. The reader of the financial statements may be misled by the notional amounts of derivative contracts that Entity B discloses when it actually may have no more or less risk than Entity A. Similarly, Entity A may have a 30-day interest rate futures contract with a notional amount of \$10 million, and Entity B may have a 20-year interest rate swap with a notional amount of \$10 million. Although the notional amounts are the same, the risks are vastly different.

AcSEC therefore recommends that notional amounts of derivatives should not be required whether existing or not existing at the end of the reporting period. Instead, AcSEC recommends that the Board evaluate alternative disclosures that would quantify the underlying exposures that are hedged, including: (1) specific terms of the hedged items, (2) carrying amounts of hedged items in qualifying and designated hedging relationships existing at the end of the reporting period, (3) average carrying amounts of hedged items in qualifying and designated hedge relationships existing during the reporting period, (4) disclosures of the percentages of hedged risk by hedged items in designated and qualifying hedge relationships existing at the end of the reporting period, and (5) disclosures of the average percentages of hedged risk by hedged items in designated and qualifying hedge relationships existing during the reporting period. AcSEC does not believe that the reporting of notional amounts for economic hedged items, nor freestanding, trading, and customer accommodation type derivatives, would be meaningful nor would it be reported consistently by entities. Based on this, AcSEC recommends that the FASB further evaluate disclosure of notional amounts for these items in its next phase broader scope disclosure project.

AcSEC recommends that the final Standard also further clarify the tabular requirement to disclose leverage factors (as presented in the example table in footnote 2) and we believe that requirement would be most meaningful if presented

with other qualitative information about the use of derivatives. The term "leverage factor" should be further defined to ensure consistent application and disclosure for both preparers and users.

Disclosure of Gains and Losses on Hedged Items

Issue 7: This proposed Statement would require disclosure of the gains and losses on hedged items that are in a designated and qualifying hedging relationship under Statement 133. The Board decided that an entity would not be permitted to include information in the tables on "hedged items" that are not in designated and qualifying Statement 133 hedging relationship because "economic hedging" means different things to different people.

Do you agree that information about "hedged items" that are not in designated and qualifying Statement 133 hedging relationships should be excluded from the disclosure tables? Alternatively, should the tables include gains and losses on "hedged items" that are recorded at fair value and are used in hedging relationships not designated and qualifying under Statement 133? Why or why not? Would your answer be affected by the forthcoming FASB Statement on the fair value option for financial assets and financial liabilities, which will provide the option to report certain financial assets and liabilities at fair value? (See paragraphs B33-B35 for the basis for the Board's conclusions.)

AcSEC agrees with the Board that "hedged items" that are not in designated and qualifying FASB Statement No. 133 hedging relationships (sometimes referred to as "economic hedges") are not consistently defined and that may impact t¹ relative to compare disclosures of these types of activities.

However, AcSEC is also concerned that entities may be prohibited from disclosing in the tables information related to other assets and liabilities that share the same underlying risk as derivatives owned by the entity and are managed from a risk perspective by management with those same derivatives. More entities are using derivatives as well as other financial instruments in risk management strategies. Many entities may adopt FASB Statement No. 159 and use fair values for recognized financial assets and financial liabilities thus increasing the use of economic hedging strategies. If tabular presentations of economic hedging or similar risk management strategies are prohibited, a complete depiction of the risks facing a company may be more challenging to convey in a narrative format for entities with complex derivative environments, representing a concern for preparers, auditors and financial statement readers. Under this methodology, preparers will disclose in certain portions of the underlying risk tables the amounts of derivatives and respective gains and losses, however, the reader will have no information with which to understand how non-derivative assets and liabilities with the same underlying risk as owned derivatives are used to manage financial statement risks because the disclosures will only be one-sided. We recommend that the FASB permit information about non-derivative assets and liabilities involved in risk management strategies be presented in separate tabular format that parallels disclosures of hedging relationships within the scope of FASB Statement No. 133.

Disclosure of Overall Risk Profile

Issue 8: Under this proposed Statement, quantitative information about nonderivative instruments used as part of an entity's overall risk management strategy would not be included in the disclosure tables. However, paragraphs 44 and 45 of Statement 133 would permit an entity to provide qualitative and quantitative information about the

derivatives included in the disclosure tables as those derivatives (a) relate to the overall context of its risk management activities and (b) are related by activity to other financial instruments.

Do you agree that information that could be provided in the qualitative and quantitative disclosures encouraged by paragraphs 44 and 45 of Statement 133 would be sufficient to appropriately inform users of financial statements about the risk management strategies of an entity? If not, should additional information about an entity's overall risk management strategies be provided as part of the tabular disclosure required by this proposed statement?

AcSEC believes this issue is related to the questions raised in Issue 7 above. Presenting only derivatives may, in some cases, provide only one side of the fair value and gains and losses associated with an entity's risk management strategies. As such, we agree with the optional disclosures in paragraphs 44 and 45 of the ED. Derivatives not designated and qualifying for FASB Statement No. 133 hedging relationships may be entered into for many reasons, including, but not limited to: customer accommodation purposes (in which the entity may directly offset each of these positions to fully eliminate risk outside of credit risk), for purposes of offsetting fair value exposure related to another financial instrument (in which only one side of the exposure will be presented, unless the exposure being hedged is related to another derivative), as a requirement to bifurcate an embedded derivative (in which the entity likely purchases an offsetting derivative to hedge any risk exposure caused by the requirement to bifurcate), and for trading purposes (in which derivatives are purchased for the intent of selling in the near term in order to profit from short-term pricing or market movements). The limitations provided by the table may not provide the necessary information for comparative financial statements.

We have already observed that the current project is only an interim step. We recommend that the Board move forward with a broader project to provide information that would give the users a more complete understanding of an entity's overall risk management strategy and its effects on the overall financial position, results of operations, and cash flows.

Examples Illustrating Application of This Proposed Statement

Issue 9: This proposed Statement includes examples of qualitative disclosures about objectives and strategies for using derivative instruments, contingent features in derivative instruments, and counterparty credit risk. Those examples are intended to illustrate one potential way of communicating information about how and why an entity uses derivatives and the overall effect of derivatives on an entity's financial position, results of operations, and cash flows. The examples are not intended to be construed as the only way to comply with the disclosure requirements.

Are those examples helpful in communicating the objectives of providing information on how and hwy an entity uses derivatives and on the overall effect of derivatives on an entity's financial position, results of operations, and cash flows? Or, do you believe these examples would be viewed as a prescribed method to comply with the requirements of this proposed Statement?

AcSEC believes that the examples help illustrate the proposed disclosure requirements but we are concerned that the examples will likely be viewed as the only prescribed method for complying with the requirements of the ED. The current examples are too basic and are based only on a very limited use of derivatives; therefore, AcSEC recommends

that the Board add examples in different formats that illustrate more complex derivative activities including different underlying risks, accounting designations, and purposes.

We also suggest providing an alternative disclosure in a different format and for an interim period. This will stress the fact that one size example does not fit all entities as well as reinforcing the disclosure requirements and providing clarity for financial statement preparers.

Amendments Considered but Not Made

Issue 10: The Board considered but decided against requiring additional disclosures as described in paragraphs B55-B63. Those disclosures focused on providing information on an entity's overall risk management profile, methods for assessing hedge effectiveness, and situations in which an entity could have elected the normal purchases and sales exception.

Do you agree with the Board's decisions not to require disclosures in those areas? Why or why not?

As discussed, AcSEC believes users desire increased information on an entity's overall risk management, including requirements for disclosure of both derivative and non-derivative instruments that are used by an entity in managing its overall risks. This includes a need for increased transparency surrounding derivative-like financial instruments that not classified as derivatives (and therefore not disclosed by the requirements of this ED because of the fact that y may meet certain scope exceptions such as the normal purchases and sales exception provided for in paragraph 10 of FASB Statement No. 133). With respect to the normal sales and purchases and sales scope exception, AcSEC believes that users would benefit by understanding if the entity could have elected normal purchase and sale accounting and how the decision to treat such activities as derivatives affects how the entity manages risk.

We again acknowledge that the Board's goal is in providing enhanced transparency now regarding an entity's use of derivatives rather than waiting for a larger-scope longer-term project. We continue to urge the Board to move forward on a broader project.

We agree that there is no additional need for a disclosure related to the methods used for assessing hedge effectiveness. We believe FASB Statement No. 133 provides guidance that entities can use in assessing hedge effectiveness, and users believe that if an entity is reporting qualifying hedge relationships, that they are only reporting hedges that qualify as highly effective regardless of the methodology they apply.

Effective Date

Issue 11: The Board's goal is to issue a final Statement by June 30, 2007. The proposed effective date would be for fiscal years and interim periods ending after December 15, 2007. At initial adoption, comparative disclosures for earlier periods presented would be encouraged, but not required. Beginning in the year after initial adoption, comparative disclosures for earlier periods presented would be required.

Pres the effective date provide sufficient time for implementation? (See paragraphs B50-B53 for the basis for the rd's conclusions.)

AcSEC believes that the preparer community may not have enough time to provide the required disclosures in the timeframe suggested by the ED. Many entities will require system programming changes and enhancements as well as procedural changes, control changes, and new documentation to fully address the disclosure requirements of the ED. These system and procedural changes will require testing to ensure that they are operating to properly capture the information before these enhancements can be fully implemented. The Board indicates that its goal is to issue a final Statement by June 30, 2007, at which time preparers will see the final requirements for the first time. We believe that because of the current timing of annual reporting for many entities followed immediately by first quarter reporting, that entities will not have a chance to address the new disclosure requirements, system needs, changes, and implementation issues until after the final standard is issued. As a result, systems may not be capable of capturing all the newly required disclosures for derivative transactions that occur during the first half or more of the reporting year. Although we believe entities should be tracking much of the information required for sound management purposes, they are not tracking the individual requirements separately by risk table, designation, and purpose for external reporting purposes as required by the ED. Specifically, we believe most entities are not tracking gains and losses for derivatives separately by asset positions, liability positions, or for those derivative positions no longer held at period end nor are they tracking separately by the potential accounting designations and purposes as proposed. For an institution with significant amounts of derivatives and hedging strategies, it may not be possible to change systems to retrieve data in this format for portfolios of past transactions. Further, we observe that entities will also be implementing the disclosure requirements of FASB Statement Nos. 157 and 159 and adding this additional burden viabout sufficient time for adoption would be difficult. Therefore, AcSEC recommends a one-year delay in the tive date of the proposed Standard. Additionally, because of systems issues it should not be issued in the middle of a year with a requirement to develop disclosures retroactively to the beginning of the year. We also recommend that the FASB review SEC reporting requirements for adopting a new accounting standard so as not to force entities to report information in periods earlier than intended by the Standard. Otherwise, the guidance in Regulation S-X 10-01(a)(5) to disclose significant changes in accounting principles that occur after the most recently completed fiscal year may effectively create a premature adoption date...

We also recommend reducing the required disclosures for interim periods. We believe annual disclosures, supplemented with disclosure of material changes during interim periods, would be sufficient for most users when compared to the preparers' cost of providing such information more frequently.