

## Robert Axel

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LETTER OF COMMENT NO.

Russell G. Golden Director of Technical Application & Implementation Activities Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, Connecticut 06856-5116

director@fasb.org

September 12, 2007

Re: Proposed Issue E23

Dear Mr. Golden:

Prudential Financial is pleased to have this opportunity to comment on the FASB's proposed Statement 133 Implementation Issue No. E23. We are supportive of the FASB's attempt to clarify issues with regard to hedge accounting.

Generally, we support the proposed issue with the below exceptions which we believe represent significant amendments to the standard as opposed to implementation guidance:

- As noted by the three dissenting Board members, the requirement that the hedged item must equal its par value at inception is a wholesale amendment to SFAS 133 and conflicts with accepted market practice. We do not believe this is an interpretation of the originally issued standard and as such it should not be included in an implementation issue but is something to be considered and reviewed more broadly in the FASB's derivatives accounting project. Such a change will have significant impacts to many companies requiring infrastructure changes to facilitate broader use of "long haul" hedge accounting. These changes will require significant time to implement.
- The additional flexibility provided by the proposed guidance to allow short cut hedge accounting from trade date is counter to the historically strict interpretations the FASB has made surrounding the shortcut method. We believe providing this flexibility will lead to additional issues with regard to what is established market convention for trade versus settlement date particularly in the area of private placements. Again we do not believe this represents implementation guidance but rather a significant change in both market practice and explicit rules currently in SFAS 133.

• Lastly, if the issue is adopted in its current form, we would suggest that the guidance be adopted on a prospective basis for new hedging transactions as opposed to the transition method proposed in the issue. This change would elevate some of the infrastructure issues mentioned above.

Once again Prudential appreciates the opportunity to express its views on this important issue. Should you have any questions on our comments, please contact me.

Sincerely,

Autof Cyco Robert Axel

Vice President & Chief Accountant