

Michael W. Morrell Vice President Finance

One Verizon Way, 3rd Floor Basking Ridge, NJ 07920 Tel: (908) 559-1200

Fax: (908) 630-2600 michael.morrell@verizon.com

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Mr. Russell G. Golden Technical Director Financial Accounting Standards Board 401 Merritt 7, PO Box 5116 Norwalk, CT 06856-5116

File Reference: No. 1810-100, Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities—Financial Instruments (Topic 825) and Derivatives and Hedging (Topic 815)

Mr. Golden:

Verizon Communications Inc. (Verizon) appreciates the opportunity to comment on the proposed Accounting Standards Update to amend ASC 825 *Financial Instruments* and ASC 815 *Derivatives and Hedging* (Proposed ASU). Verizon is one of the world's leading providers of communication services, is a registrant with the SEC and employs financial instruments as a component of its comprehensive risk management strategy.

We support the Board's objective to issue an accounting standard which will lead to a more transparent, timely and representative depiction of an entity's exposure to risk based on how financial instruments are utilized in an entity's business model. Additionally, we support the Board's continued commitment to collaborate with the IASB to issue converged accounting guidance.

However, we have concerns with the FASB's proposed accounting which we have summarized below. These concerns principally concern themselves with the divergent nature of this joint project which has resulted in rather significant differences in: (1) accounting treatment for investments currently accounted for under the equity method; (2) measurement; (3) impairment; and (4) hedge accounting.

The issuance of independent Exposure Drafts (EDs) that do not achieve a single uniform standard, leaves financial statements preparers and users with seemingly unresolved issues.

1. Equity Method of Accounting

It is unclear why the FASB is seeking to amend the requirements for applying equity method of accounting when equity method is not even addressed in IFRS 9. We are also unsure as to why the FASB would propose detailed and prescriptive guidelines to determine whether the operations of an investee qualify for the equity method of accounting. These guidelines seem inconsistent with the objective of issuing principles-based accounting standards.

We believe that fair valuing investments currently accounted for under the equity method of accounting would introduce unnecessary volatility into the income statement. Additionally, for equity investments that are not publically traded, this proposal would introduce subjectivity and costs that do seem warranted based on the potential benefits.

We believe that the FASB should retain the current accounting for equity method investments.

2. Measurement

We believe that the FASB's proposal to recognize changes in fair value through net income will create unnecessary volatility in our net income with little benefit to users of our financial statements. We believe that the IASB's proposed changes to IFRS 9, *Financial Instruments*, which would permit us to elect to measure a fixed income instruments at amortized cost if our business practice is to hold the fixed income instrument until maturity, is more representative of the underlying economics.

We also believe that the IASB's proposed model for equity securities that do not meet the criteria for the equity method of accounting is a more appropriate approach. The ability to elect to record in Other Comprehensive Income increases or decreases in the fair value of equity investments not held for trading purposes seems like a reasonable approach.

The potential issuance of divergent measurement models, will slow down or impede the convergence process and potentially result in unnecessary costs to companies if the ultimate converged rules are different than the current proposal.

3. Impairment

We believe that the FASB and IASB should develop a converged approach to impairment and that a single model for loans and debt securities is not necessarily the best approach. We believe that the current impairment testing model under US GAAP for investments in debt securities under ASC 320-10-35 (FSP FAS 115-2) is operational and should be retained. We also believe that the unit of account for testing impairment of investments in debt securities should remain at the individual trading lot (CUSIP).

4. Hedge accounting

We are concerned that as of the date of our comment letter, the IASB's ED on hedge accounting has not been issued. This makes it difficult to effectively evaluate the FASB's proposals in light of the board's expressed intent to ultimately converge U.S. and International Accounting standards. This is

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particularly true based on our understanding that a number of tentative positions taken by the IASB conflict with the FASB exposure draft.

Accordingly, we believe that the FASB should defer its proposals on hedge accounting and work with the IASB to issue a simplified, converged approach to hedge accounting and financial instruments.

Conclusion

Given our concerns, we believe that the FASB should reconsider the scope, objectives and overall framework of this project and work with the IASB to issue a converged, uniform proposal.

Thank you for the opportunity to comment. We would be pleased to discuss our comments in more detail with members of the Board or staff.

Respectfully submitted,

Michael W. Morrell Vice President Finance