

James J. Malerba Executive Vice President Corporate Controller

Finance State Street Financial Center - SFC 13-02 One Lincoln Street Boston, MA 02111

Telephone: 617-664-8697 Facsimile: 617-664-4316 617-319-5763 iimalerba@statestreet.com

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Technical Director Financial Accounting Standards Board 301 Merritt 7 P.O. Box 5116 Norwalk, CT 068956-5116

Via email: director@fasb.org

File Reference: No. 1820-100

Re: Proposed Accounting Standards Update, Revenue Recognition (Topic 605) – Revenue from Contracts with Customers

Dear Technical Director:

State Street Corporation ("State Street") appreciates the opportunity to comment on the FASB's Proposed Accounting Standards Update, Revenue Recognition (Topic 605) – Revenue from Contracts with Customers (the "Proposed ASU"). With \$20.2 trillion in assets under custody and administration and \$1.9 trillion in assets under management, State Street is the world's leading provider of financial services to institutional investors. This comment letter is written from State Street's perspective as the preparer of its own consolidated financial statements and from its perspective as an asset manager and asset custodian.

We support the FASB's efforts to provide a more uniform and robust framework for addressing revenue recognition issues to improve the comparability of revenue recognition practices across entities and industries. At a high level, we agree with the recognition of revenue based upon the fulfillment of performance obligations. We believe that a standard focused on establishing a uniform revenue recognition framework that is focused on the substance of the customer arrangement is an improvement in the accepted practices in many industries. However, we do not fully support the Proposed ASU in its current form, and have offered some comments that we believe need to be addressed in order to achieve the proper balance between providing a universal revenue recognition model and ensuring the financial statements resulting from application of such a model provides financial statement users with relevant and reliable information to evaluate an entity's financial performance. Specifically, our comments focus on the calculation and allocation of the transaction price, onerous performance obligations and satisfaction of performance obligations.

Illustration of Accounting Pursuant to Proposed ASU

We have developed an example to clarify our understanding of the Proposed ASU and provide context to our comments on our perceived shortcomings of the proposed model and our recommendations for addressing them. Our example below is fairly straightforward and ignores the time value of money for simplicity due to the short duration of the performance obligations. However, in practice revenue contracts with customers are often significantly more complicated than outlined below. Assume the following:

- A service provider enters into an agreement with a third party customer to provide service X and service Y for one year.
- The contractual fee for service X is a fixed dollar amount, while the fee for service Y is a variable basis point (i.e. .01%) charge based on the aggregate value of units serviced each period. The volume of units serviced is affected by both the number of units (e.g. shares of stock) serviced and the market price of those units.
- The negotiated contractual prices and standalone¹ prices, in thousands, for service X and service Y are:

	Q1	Q2	Q3	Q4	Total
Contractual Price					
Service X	\$100,000				\$100,000
Service Y	20 bps per unit \$200,000	\$800,000			
Standalone Prices					
Service X	\$600,000		-		\$600,000
Service Y	12 bps per unit \$120,000	\$480,000			
Direct Costs					
Service X	\$400,000				\$400,000
Service Y	10.5 bps per unit \$105,000	\$420,000			

Note: The amounts above for Service Y are based on a probability-weighted variable volume of 100 million units per quarter. The pricing arrangement in which the price for service X is discounted and the price for service Y is at premium relative to standalone prices is often times desired by customers in an effort to keep their fixed costs minimal and have their volume related costs variable. As a result, it is often a common arrangement when providing more than one service to a customer.

Based upon the facts outlined, above as well as our interpretation of the guidance within the Proposed ASU, we understand the accounting for the contract to be as follows:

<u>Identification of Contract:</u>

There is one contract identified as segmentation is not required due to the interdependency of the pricing of service X and service Y.

¹ The price at which the entity would sell a good or service separately to the customer.

<u>Identification of Performance Obligations:</u>

Two performance obligations are noted in the contract – performing service X in the first quarter and performing service Y continuously throughout the year.

Calculation of Transaction Price:

The contract contains two prices consisting of a fixed price of \$100,000 for service X and 20 bps of the aggregate value of units serviced for service Y. Since the aggregate value of service Y is highly influenced by the customer demands as well as market price movement, it is deemed to not be reasonably estimable. As a result the price for service Y is excluded from the calculation and the transaction price is simply calculated to be equal to the price for service X of \$100,000.

Allocation of Transaction Price:

The transaction price is allocated to the performance obligations, service X and service Y, based upon the standalone pricing:

	Q1	Q2	Q3	Q4	Total
Standalone Prices					
Service X	\$600,000				\$600,000
	12 bps/unit	12 bps/unit	12 bps/unit	12 bps/unit	
Service Y	\$120,000	\$120,000	\$120,000	\$120,000	\$480,000
Total	\$720,000	\$120,000	\$120,000	\$120,000	\$ 1,080,00

	Standalone Price	% of Total Standalone Price	Calculated Transaction Price of Contract	Allocated Transaction Price
Service X	\$600,000	55.56%		\$55,556
Service Y	\$480,000	44.44%	\$100,000	\$44,444
Total	\$1,080,000	100%		\$100,000

Evaluation of Onerous Performance Obligation:

The probability weighted direct costs are compared to the allocated transaction prices, noting that both services have probability weighted direct costs that exceed the allocated transaction price deeming them onerous performance obligations. As noted previously, the time value of money is ignored for simplicity sake and would be immaterial given the short timeframe of the contract.

	Q1	Q2	Q3	Q4	Total
Service X					
Calculated Transaction Price	\$55,556				\$55,556
Probability Weighted Direct Costs	(\$400,000)				(\$400,000)
Total					

	(\$344,444)				(\$344,444)
Service Y					
Calculated Transaction Price	\$11,111	\$11,111	\$11,111	\$11,111	\$44,444
	Q1	Q2	Q3	Q4	Total
Probability	10.5 bps/unit	10.5 bps/unit	10.5 bps/unit	10.5 bps/unit	
Weighted Direct Costs	(\$105,000)	(\$105,000)	(\$105,000)	(\$105,000)	(\$420,000)
	(\$93,889)	(\$93,889)	(\$93,889)	(\$93,889)	(\$375,556)

Recognition of Revenue Upon Satisfaction of Performance Obligations:

The performance obligation for service X is satisfied in full upon the conclusion of the first quarter. Amount billed is based upon the contractual price of \$100,000 at the end of the first quarter. The performance obligation for service Y is satisfied continuously throughout the year. Amount billed each quarter is based on 20 bps of \$100 million of value of serviced units, or \$200,000 per quarter; however since the performance obligation for service Y is over 1 year, only a prorated portion of the total YTD amount billed is recognized to income.

	Execution of Contract	Q1	Q2	Q3	Q4	Total
Recognition of Onerous Performance Obligation			111 - 2012			
Service X	(\$344,444)					(\$344,444)
Service Y	(\$375,556)					(\$375,556)
Revenue Recognized						
Service X		\$55,556				\$55,556
Service Y – allocated		\$11,111	\$11,111	\$11,111	\$11,111	\$44,444
Service Y - variable		\$50,000*	\$150,000*	\$250,000*	\$350,000*	\$800,000
Direct Costs Recognized						· - -
Service X		(\$400,000)				(\$400,000)
Service Y		(\$105,000)	(\$105,000)	(\$105,000)	(\$105,000)	(\$420,000)
Remeasurement of Performance Obligation						
Service X		\$344,444				\$ 344,444
Service Y		\$93,889	\$93,889	\$93,889	\$93,889	\$ 375,556
Total Income Statement Impact	(\$720,000)	\$50,000	\$ 150,000	\$250,000	\$ 350,000	\$ 80,000

^{*} Amounts for the variable portion of Service Y are based on the interpretation of the recognition process that would entail proration of any year to date non-refundable billings (i.e. cash received from billings plus any cash expected to be received from outstanding billings) over the full contract term, as the performance obligation is deemed to be providing service Y for the one year term.

[•] Q1: 1/4 * \$200,000 = \$50,000 YTD revenue (\$50,000 QTD)

- Q2: 2/4 * \$400,000 = \$200,000 YTD revenue (\$150,000 QTD)
- Q3: 3/4 * \$600,000 = \$450,000 YTD revenue (\$250,000 QTD)
- Q4: 4/4 * \$800,000 = \$800,000 YTD revenue (\$350,000 QTD)

Perceived Shortcomings

1. Exclusion of Market Dependent Variable Component in Calculation of Transaction Price

Based on paragraph 38 of the Proposed ASU, since the value of the serviced units is highly susceptible to the demands of the client and is highly influenced by market price fluctuations, only the fixed contractual fee will be included in the transaction price, or \$100,000. We believe the criteria in paragraph 38 of the Proposed ASU for the variable consideration to be deemed reasonably estimable are too restrictive when applied to arrangements with variable consideration as it does not allow the use of management estimates.

As an alternative, we recommend modification of the criteria in paragraph 38 of the Proposed ASU to allow for the use of management estimates to determine a probability-weighted variable transaction price, if the price is dependent on market movement. This would align with other U.S. GAAP accounting models (such as fair value and loss contingencies) which allow for reasoned management judgment in the determination and use of estimates. In the above case, the transaction price would be \$900,000 inclusive of the variable component of \$800,000, as opposed to only \$100,000 if the variable component is excluded.

2. Exclusion of Market Dependent Variable Component in Allocation of Transaction Price

The allocation of transaction prices with significant components of variable consideration that are not reasonably estimable will result in lower transaction prices to be allocated across multiple performance obligations. This result would not be representative of the substance of the transaction, which is that we agreed to provide a service to a customer over a period of time and negotiated the terms of that contract based on reasoned estimates of volume.

In the illustrative example above, only the fixed amount of \$100,000 would be allocated to both performance obligations even though service Y will receive a probability-weighted variable fee of \$800,000. This results in a depressed transaction price. This is particularly problematic when evaluating whether the performance obligations are deemed onerous and also results in deferral of revenue recognized to future periods when the contract performs in line with expectations, as discussed below.

Given that contracts may often have a significant variable consideration component, we believe calculation of the transaction price to be allocated to the various performance obligations should include the probability weighted variable consideration discussed above. Doing so for the illustrative example would result in a total transaction price of \$900,000, with \$400,000 (at 45%) allocated to service X and

\$500,000 (at 55%) allocated to service Y. We believe such an allocation is more representative of the contract pricing and the economic substance of the arrangement with the customer.

3. Unit of Account Used for Onerous Performance Obligation Evaluations

The Proposed ASU requires an entity to recognize a separate liability and a corresponding contract loss if a performance obligation is onerous. While we agree with the concept of an onerous performance obligation in principle, we believe the proposed guidance applies the concept to the wrong unit of account.

We strongly disagree with the assessment at the performance obligation level as it could result in the recognition of a liability when the overall contract or customer relationship is economically profitable. Under the Proposed ASU, an onerous performance obligation may occur whenever the transaction price contains a significant variable component as highlighted above.

In our illustrative example, the Proposed ASU provides that the transaction price for service Y cannot be reasonably estimated due to the influence of external factors (client or market) and the range of possible outcomes (fluctuations in client operations or market) for the unit volume. Conversely, the costs necessary to provide these services must be included in evaluation of the onerous performance obligation. Under the Proposed ASU, both service X and service Y would be deemed onerous performance obligations with a corresponding loss of \$720,000 recognized upfront. The loss would eventually be recouped through earnings as the unit volume becomes known each quarter, but at inception of the contract a loss is recorded for the performance obligation as they have been deemed onerous even though the overall contract is profitable. In our example, this phenomenon would be observed even if the latitude is provided for management to use its broadest discretion in establishing the transaction price.

This situation would not be limited only to contracts with significant variable consideration components that are not reasonably estimable. It would also extend to contracts negotiated in contemplation of one another, with services provided across multiple geographies and by numerous legal entities. Under the Proposed ASU, an onerous performance obligation would be accrued upfront for any discounted services even though the overall contract is profitable. We believe this will significantly distort the substance of the transaction for users of financial statements and that it is inconsistent with the guidance of ASC 310 (formerly FAS 5). In effect, it results in the recognition of a loss that is not reasonably estimable or probable as based upon all information available to management, the loss will not materialize due to the overall profitable nature of the overall customer arrangement.

Therefore, in order to properly reflect the substance and overall profitability of the arrangement, we believe a higher level assessment at the customer relationship level should be required prior to requiring the recognition of a liability. At inception of a contractual arrangement, we recommend the test for recognition of an onerous

performance obligation be based upon whether direct costs are greater than the sum of transaction prices for all outstanding performance obligations with the relevant counterparty and its related parties. In the illustrative example, this would entail a comparison of \$900,000 transaction price to \$820,000 in direct costs (\$400,000 for service X and \$420,000 for service Y). As there is an overall profit of \$80,000, no liability or loss would be recognized. Such modification to the onerous performance obligation test would more closely align the guidance to the current ASC 310 guidance for accounting for loss contingencies.

Furthermore, we believe the Proposed ASU should specifically state that the assessment of an onerous contract should only be made once, at the inception of the arrangement and only reassessed if management becomes aware of a significant change in factors that raises doubts about the continued validity of their original assessment. It is operationally burdensome to require an entity to continually reassess the profitability of a contract or performance obligation. However, we recognize FASB's intent for financial statement preparers to recognize losses when the income from remaining performance obligations is less than the direct costs. We also recognize that certain contracts may not be at a net liability at inception, but will swing to a net liability position subsequently. Such would be the case in our illustrative example if service X had a contractual price that was at a premium compared to standalone pricing offset by discount in service Y. We believe that deferral of gains for the higher margin product revenue, coupled with the inclusion of all probability weighted variable consideration, will achieve the same result as continually reassessing onerous performance obligations.

For example: Q1 Q2 Q3 Q4 Total **Contractual Prices** Service X \$900,000 \$900,000 0 bps/unit 0 bps/unit 0 bps/unit 0 bps/unit \$0 Service Y \$0 \$0 \$0 \$0 **Standalone Prices** Service X \$600,000 \$600,000 12 bps/ unit 12 bps/unit 12 bps/unit 12 bps/ unit \$120,000 \$120,000 \$120,000 \$120,000 \$480,000 Service Y **Direct Costs** Service X \$400,000 \$400,000 10.5 bps/unit 10.5 bps/unit 10.5 bps/unit 10.5 bps/unit Service Y \$105,000 \$105,000 \$105,000 \$105,000 \$420,000

Allocation of Transaction Price:

	Standalone Price	% of Total Standalone Price	Calculated Transaction Price of Contract	Allocated Transaction Price
Service X	\$600,000	55.56%	\$900,000	\$500,000

Service Y	\$480,000	44.44%	\$400,000
Total	\$1,080,000	100%	\$900,000

Revenue Recognition

	Q1	Q2	Q3	Q4	Total
Revenue based on Transaction Price					
Service X	\$500,000				\$500,000
Service Y - allocated income	\$100,000	\$100,000	\$100,000	\$100,000	\$400,000
Service Y - variable income	_	-	-		
Direct Costs Recognized					
Service X	(\$400,000)				(\$400,000)
Service Y	(\$105,000)	(\$105,000)	(\$105,000)	(\$105,000)	(\$420,000)
Transaction Price less Direct Costs	\$95,000	(\$5,000)	(\$5,000)	(\$5,000)	\$80,000
(Deferral)/ Release of Revenue based on excess of remaining direct costs over transaction price	(\$15,000)	\$5,000	\$5,000	\$5,000	-
Total Income Statement Impact	\$80,000	-		_	\$80,000

4. Revenue Recognition for Continuous Transfer of Services

We believe the recognition of revenue upon satisfaction of performance obligations requires clarification to ensure appropriate interpretation of the guidance. While there is guidance provided in the implementation guidance (specifically IG67) that gives an illustration of identifying a continuous transfer of services, it is unclear how the revenue should be recognized during each billing cycle of the contract term when services are provided continuously, have a variable component, and are billed periodically within the contract term. As shown in the illustrative example, the guidance can be interpreted to require proration of year to date amounts billed over the full performance obligation term, creating a deferral of the majority of gains until the final reporting period of the obligation term.

Revenue recognition based on allocation of all amounts billed on a non-refundable basis over the contract term of a performance obligation is further complicated when the performance period is indefinite as in the case of an "evergreen" contract, or a contract with no stated term that continues until cancelled in writing by the client. Evergreen contracts are fairly common in the financial services industry. In such a situation, interpretation of the Proposed ASU would suggest that the revenue would

² An agreement between two parties that is automatically renewed after each completion or maturity period until cancelled by either party.

be deferred indefinitely, because the percentage of the performance obligation completed is undeterminable and the transaction price cannot be estimated. While such an application in a fixed-term obligation may help to ensure level income recognized throughout the year if units serviced from Q2 to Q4 fell to zero, the effect of the application in cases where the levels of units serviced remain in line or are greater than Q1 is to skew revenue recognition to the last financial reporting period of the performance obligation term. Such a recognition pattern for revenue would not represent the economic substance of the transaction and also contradicts a core fundamental principal of US GAAP as revenue would not be matched the direct expenses, which would be expensed in each period as incurred.

We believe that timing of revenue recognition would be more appropriately linked to the nature of compensation received. As such, the guidance should explicitly outline the recognition pattern for services performed on a continuous basis to allow for the accrual of revenue equal to the amount that will be billed (i.e. cash received and cash expected for expected billings) for services during the contract term when such payments are non-refundable regardless of whether future services are performed pursuant to an identified performance obligation. Such application to the isolated instance of service Y in the illustrative example would result in \$200,000 recognized each quarter. This pattern is consistent with current practice within the asset management and financial services industry and we do not believe that current practice should be amended.

Application of Recommended Revisions

As discussed above, we believe the guidance within the Proposed ASU should be modified to reflect the following:

- Management's estimate of the probability weighted variable consideration should be included within the calculation of a transaction price regardless of its susceptibility to third party forces, range of possible outcomes, and market movements.
- Management's estimate of the probability weighted variable consideration should be allocated to the performance obligations to properly reflect the economic substance of the transaction, particularly in cases where such consideration represents a significant portion of the price.
- Onerous performance obligations should be evaluated once at inception at a client relationship level based upon the sum of remaining transaction price cash flows over the sum of direct costs and should only be reassessed when management becomes aware of significant changes. Revenue from higher profit margin products/services should be deferred and recognized at later periods to offset losses from products/services offered at a discount.
- For services continuously transferred over a performance obligation term that are billed periodically throughout the term, revenue may be accrued up to the amount that has been billed when such payments are non-refundable.

Application of such revisions would result in the following accounting for the illustrative example:

Identification of Contract:

There is one contract identified as segmentation is not required due to the interdependency of the pricing of service X and service Y.

<u>Identification of Performance Obligations:</u>

Two performance obligations are noted in the contract – performing service X in the first quarter and performing service Y continuously throughout the year.

Calculation of Transaction Price:

The contract contains two prices consisting of a fixed price of \$100,000 for service X and 20 bps of the aggregate value of units serviced for service Y. The probability weighted prices for Service Y is \$200,000 per quarter. The transaction price is calculated to be \$900,000.

Allocation of Transaction Price:

The transaction price is allocated to the performance obligations, service X and service Y, based upon the standalone pricing:

	Q1	Q2	Q3	Q4	Total
Standalone Prices					
Service X	\$600,000				\$600,000
	12 bps/unit	12 bps/unit	12 bps/unit	12 bps/unit	
Service Y	\$120,000	\$120,000	\$120,000	\$120,000	\$480,000
Total	\$720,000	\$120,000	\$120,000	\$120,000	\$ 1,080,000

	Standalone Price	% of Total Standalone Price	Calculated Transaction Price of Contract	Allocated Transaction Price
Service X	\$600,000	55.56%	5000 000	\$500,000
Service Y	\$480,000	44.44%	\$900,000	\$400,000
Total	\$1,080,000	100%		\$900,000

Evaluation of Onerous Performance Obligation:

The probability weighted direct costs are compared to the allocated transaction prices at the client relationship level, noting that transaction price exceeds direct costs by \$80,000. As a result, no onerous performance obligation is noted at inception. It is noted that a net deferral of \$15,000 is needed to effectively offset the future period of net losses.

	Q1	Q2	Q3	Q4	Total
Calculated Transaction Price					
Service X	\$500,000				\$500,000
Service Y	\$100,000	\$100,000	\$100,000	\$100,000	\$400,000
Total	\$600,000	\$100,000	\$100,000	\$100,000	\$900,000
Direct Costs					

Service X	\$400,000			ļ	\$400,000
	10.5 bps/unit	10.5 bps/unit	10.5 bps/unit	10.5 bps/unit	
Service Y	\$105,000	\$105,000	\$105,000	\$105,000	\$420,000
Total	\$505,000	\$105,000	\$105,000	\$105,000	\$820,000

Recognition of Revenue Upon Satisfaction of Performance Obligations:

The performance obligation for service X is satisfied in full upon the conclusion of the first quarter. Amount billed is based upon the contractual price of \$100,000 at the end of the first quarter. The performance obligation for service Y is satisfied continuously throughout the year. Due to the change in transaction price calculation and allocation, more revenue is accrued as a receivable in Q1 based upon the satisfaction of the service X performance obligation compared to the amount billed. In future quarters, revenue can be recognized in an amount equal to the greater of the allocated transaction price or year to date amount billed.

	Execution of Contract	Q1	Q2	Q3	Q4	Total
Amount Billed		\$300,000	\$200,000	\$200,000	\$200,000	\$900,000
Recognition of Onerous Performance Obligation						
Service X	\$ 0					\$0
Service Y	\$ 0					\$0
Revenue Recognized				-		
Service X		\$500,000				\$500,000
Service Y – allocated		\$100,000	\$100,000	\$100,000	\$100,000	\$400,000
Service Y - variable		\$0	\$0	\$0	\$0	\$0
Direct Costs Recognized						
Service X		(\$400,000)				(\$400,000)
Service Y		(\$105,000)	(\$105,000)	(\$105,000)	(\$105,000)	(\$420,000)
Remeasurement of Performance Obligation						
(Deferral)/Recognition of Higher Profit Margin		(\$15,000)	\$5,000	\$5,000	\$5,000	\$0
Total Income Statement Impact	\$0	\$80,000	\$0	\$0	\$0	\$80,000

Other Commentary

Scope

As outlined in the scope section of the Proposed ASU, the guidance applies to all contracts with customers except for those explicitly excluded that are subject to other guidance. The Proposed ASU then goes on in paragraph 11 to exclude from its scope any contracts in which either party can terminate a wholly unperformed contract without penalty. We believe that the final standard should expand its discussion of the types of arrangements which may fall outside the definition of a contract pursuant to

this standard. For example, with respect to whether or not the guidance is intended to apply to contracts such as asset management contracts there appears to be some ambiguity. When customers receive asset management services from a provider, they are frequently provided the right to withdraw their assets without restriction. It is not clear whether paragraph 11, and the related examples 5 and 6 in the Implementation Guidance, is intended to scope out these types of contracts. We believe the final standard will need to provide explicit guidance on whether or not the ability to withdraw assets without restriction constitutes the ability to terminate a wholly performed contract without penalty and thus exclude such contracts from the scope of the standard.

Disclosure

Overall, we believe the additional disclosure requirements presented in the Proposed ASU are overly burdensome and will not achieve their objective of helping the users of financial statements understand the amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Proposed ASU will likely not improve the ability for users of financial statements to compare disclosures across entities or industries for several reasons. First, the required disclosures are overly prospective in nature and require entities to project revenue, which decreases their usefulness to users of financial statements. Contracts with customers can be structured very differently and such disclosures will not be comparable across contracts or counterparties. As a result, we recommend the required disclosures should be limited to descriptions of the nature of contracts to give the user of the financial statements the context of the revenue generating arrangements. In addition, the requirement to disaggregate revenue in paragraph 74 appears to duplicate the disclosures already required by Topic 280, Segment Reporting. Therefore, given the significant amount of effort required to complete the proposed disclosures, we believe a minimum level of disclosure should be required.

Effective Date and Transition

Implementation of the Proposed ASU on a retrospective basis will require a significant amount of resources, processes and modifications to existing systems. In addition, much of the information required to implement the Proposed ASU on a retrospective basis will be difficult to access or obtain. Implementation will require a comprehensive overhaul to systems to allow entities to track and allocate revenue at the performance obligation level. We believe the FASB needs to be mindful of the extensive effort that will be required of entities to reflect its financial statements for all years presented in accordance with the Proposed ASU and allow appropriate lead time between the issuance of the final standard and the required implementation date. We believe implementation in 2012 is not feasible and recommend that implementation of the Proposed ASU be on a prospective basis in order to reduce the operational burden of implementing the new revenue recognition guidance within the stated implementation deadline.

Furthermore, the illustrative example given within this comment letter is straightforward and simple in nature, but displays a number of items that require clarification in order to apply the proposed guidance. When the FASB releases its final

standard, we request a complex, detailed example considering various industries be included in the final document.

Conclusion

We support the FASB's goal of seeking a single set of high-quality, international accounting standards that companies worldwide would use for both domestic and cross-border financial reporting, and its collaborative efforts with the IASB. We urge the FASB to continue its efforts toward convergence and consideration of our points above prior to issuance of the final standard.

We appreciate your consideration of these matters and welcome the opportunity to discuss them with you.

Sincerely,

James J. Malerba

Executive Vice President and Corporate Controller