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May 14, 2013

Leslie Seidman, Chairman
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
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Submitted via electronic mail to director@fasb.org

File Reference No. 2013-220, Exposure Draft: *Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities*

Dear Ms. Seidman:

Intel is pleased to respond to your request for comment on the Exposure Draft: *Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities* (the proposed Update). We continue to support the Board’s objective to improve the decision usefulness of reporting by providing users with a more timely and representative depiction of financial instrument activities while reducing the complexity in accounting for financial instruments. We are pleased that the Board is introducing classification based upon an instrument’s cash flow characteristics and the business model in which it is managed. However, we continue to believe that recognizing changes in fair value through net income for financial assets held for long-term strategic purposes creates volatility in periodic net income that does not provide useful information to our users. We also do not believe that changes in the fair value of non-marketable securities that meet the practicality exception should be recognized through net income. In addition, the removal of the unconditional fair value option may add complexity to the accounting for financial instruments without providing significant increased comparability amongst preparers. These concerns are further outlined below.

Changes in the Fair Value of Financial Assets through Net Income Could Result in Misleading and Inappropriate Volatility

We generate the majority of our cash flows by designing, manufacturing and selling semiconductor platforms, which constitute our ongoing central operations. We also have a significant investment portfolio in marketable and non-marketable equity securities. These investments generally focus on investing in companies and initiatives that we believe will stimulate growth in the digital economy, create new business opportunities for us, and expand global markets for our products. As stated in our response to the 2010 Exposure Draft, *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* (the 2010 ED), we continue to believe that recognizing unrealized gains and losses on marketable strategic investments through net income will not lead to

reporting results that are representative of our ongoing central operations. To illustrate, one of our large strategic marketable investments experienced an unrealized gain of approximately \$750 million in the fourth quarter of 2012. This gain, recognized in our Statement of Comprehensive Income, would have increased net income by 23% if reported in our Income Statement. By keeping this type of volatility restricted to the Statement of Comprehensive Income, the Statement of Income retains its value by presenting the measurement of operating performance, while the Statement of Comprehensive Income presents the periodic impact of the economic volatility from financial instruments. For this reason, we support the IASB's irrevocable election of fair value through other comprehensive income for non-trading equity investments and recommend the Board consider allowing a similar election. We continue to believe that recognizing changes in fair value through net income for financial assets held for strategic purposes creates volatility in net income that does not provide useful information to our users.

Fair Value Adjustments for Non-Marketable Securities Should Not be Reflected in Net Income Given the Absence of an Available Market

Notwithstanding our concerns noted above, we support many of the changes made by the Board in the proposed Update as compared to the model that was proposed in the 2010 ED. In particular, we appreciate the practicability exception that allows non-marketable equity investments to be recognized at cost, less impairment with any fair value adjustments to be based upon orderly transactions for identical or similar investments issued by the same entity. However, because there is no ready market to liquidate holdings in these securities, the fair value adjustments do not represent amounts that can be readily converted to cash. We believe including fair value adjustments in the Income Statement does not make the lack of realization apparent to the users of financial statements. Therefore, we propose these fair value adjustments be reflected within the Statement of Comprehensive Income.

Limiting the Fair Value Option Increases the Complexity in Accounting for Financial Instruments

The Board's main objective in developing the proposed Update is to provide financial statement users with more decision-useful information about an entity's financial instruments, while reducing the complexity in accounting for those instruments. We understand that the Board eliminated the unconditional fair value option in an effort to increase comparability among financial statement preparers. However, by doing so, the proposed Update will result in increased complexity in accounting for instruments where the fair value option is applied under existing U.S. GAAP. We currently utilize the fair value option for certain complex financial instruments to avoid the cost of performing the detailed analysis necessary to identify embedded derivatives that may require bifurcation and measurement at fair value through net income. The proposed guidance would require extensive analysis to determine whether an instrument would qualify for recognition at fair value through net income, thereby negating the benefits of the fair value option. In addition, we do not agree with the Board that limiting the fair value option will provide a meaningful increase in comparability in accounting for financial instruments given the variability that will arise through the proposed business model assessment. We recommend that the Board retain the unconditional fair value option as it would greatly reduce the complexity of the proposed model.

Thank you for your consideration of the points outlined in this letter. If you have any further questions or would like to discuss our responses further, please contact me at (971) 215-7931, or Liesl Nebel, Accounting Policy Controller, at (971) 215-1214.

Sincerely,

James G. Campbell

Vice President, Finance Corporate Controller
Intel Corporation