

The Association of Senior Human Resource Executives

Letter of Comment No: //
File Reference: FSP123R-B
Date Received:

September 30, 2005

Mr. Lawrence W. Smith
Director of Technical Application and Implementation Activities and EITF Chair
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Definition of "Grant Date" Under FAS 123R and Proposed FASB Staff Position 123(R)-b

Dear Mr. Smith:

On behalf of the HR Policy Association, I am writing to support the Financial Accounting Standards Board's ("FASB) clarification of "grant date" definition under Statement of Financial Accounting Standards No. 123 (as revised, 2004) ("FAS 123(R)") by issuing proposed FASB Staff Position 123(R)-b. We agree with the proposed staff position because it affirms that the traditional understanding of grant date will be maintained under FAS 123(R), thus minimizing the potential for prohibitive administrative burdens and allows for the continued implementation of sound human resource practices.

As you recall, HR Policy Association is a public policy advocacy organization representing the senior human resource executives of over 250 leading employers doing business in the United States. Collectively, our members employ over 12 percent of the U.S. private sector workforce or some 19 million Americans. Most of our members are publicly traded companies. The well-publicized informal staff interpretation that under FAS 123(R) the grant date of a share-based payment was the date the share award was communicated to the recipient would have imposed significant and unnecessary administrative burdens on our members and could have weakened corporate governance. In addition, the interpretation ran counter to sound human resource practices that encourage personal individualized communication to employees of a share-based grant.

Under FAS 123(R), the grant date is considered the date that there is a mutual understanding between the employer and employee of the key terms and conditions of a share-based payment award. We agree with the language of the proposed Staff Position, that as long as the other terms and conditions are met, the grant date is the date the award is approved in accordance with the company's corporate governance provisions so long as it is communicated within a reasonably short time period after the grant is approved.

As reflected in Footnote 1 in the proposed FSP, we agree that "a reasonably short time period" should not be the same in all cases. Rather the period may vary depending upon the amount of time reasonably required to provide such communication given the size of the company, its human resource practices, and the methods used to communicate the award. This approach ensures that grants will be communicated reasonably quickly, but ensures that share-based payments may be communicated consistent with well-established human resource

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practices, without creating unnecessary administrative burdens and without compromising sound corporate governance.

Proposed FSP 123(R)-(b) eliminates the substantial administrative and governance burdens that likely would have resulted had the reported staff interpretation taken effect.

Thank you for your quick action and for your consideration in this important matter. Sincerely,

/S/

Jeffrey C. McGuiness President