



## Sent via email to director@fasb.org

February 14, 2007

Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

RE: File Reference No. 1510-100 Proposed Statement of Financial Accounting Standards, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133

Dear Sirs and Madams,

UnionBanCal Corporation appreciates the opportunity to comment on the December 8, 2006 Exposure Draft of the Proposed Statement of Financial Accounting Standards, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133. UnionBanCal Corporation is a bank holding company with commercial and consumer banking activities headquartered in San Francisco, California.

UnionBanCal Corporation supports FASB's efforts to provide information that is more useful and transparent to users of financial statements. However, we have the following comments for your consideration.

## Interim Financial Reporting

We believe the expanded disclosure requirements are appropriate for fiscal reporting but not on an interim basis as this will be repetitious and will not provide incremental value to users of financial statements. Unless there is a material change requiring an update to what was previously disclosed on an annual basis, we suggest interim reporting only include the fair value of the derivative instruments, amounts recognized in the income statement, and the amount of any ineffectiveness recognized in the quarter.

400 CALIFORNIA STREET, SAN FRANCISCO, CALIFORNIA 94104 P. O. BOX 45000, SAN FRANCISCO, CALIFORNIA 415 765 0400 Issue 1: Scope – Exclude how derivative instruments should be presented and classified in the financial statements

We agree with the FASB's decision to limit guidance to disclosure of derivative instruments and to exclude presentation and classification. We believe that the basis of presentation and classification, when properly disclosed and consistently applied, achieves the objectives of transparency and comparability among entities. Secondarily, the proposed scope provides needed flexibility to accommodate conventions in the presentation and classification of derivative instruments observed by specialized industries such as financial institutions versus manufacturing companies.

Issue 2: Scope – The proposed Statement applies to both public and private entities

We agree that the proposed Statement should apply to public and private entities in order to achieve comparability of financial statements. All users of financial statements would benefit from a common standard designed to improve understanding of how and why entities use derivatives as well as clarify how derivatives and related hedged items affect reported amounts. Also, there will be no need to reverse the disclosure of derivatives when an entity changes its reporting status from private to public.

Issue 3: Costs of implementation – Operational concerns in compiling the information of the proposed Statement in the tabular format show in Appendix A

We believe that the cost of providing the proposed information on derivative instruments will not be significant as information is either presently disclosed in our financial statements or is available at a transaction level in our systems. However, the information will be difficult to compile within the required timeframe for comparative disclosures for periods earlier than the year of initial adoption. Please refer to our related response to Issue 11 - Effective Date on the required timeframes.

Issue 4: Costs of implementation – Operational concerns or constraints in compiling contingent features in derivative instruments

We do not currently have any contingent features in our derivative instruments. We do not believe the disclosure of contingent features necessarily enhances users of financial statements evaluation of a company's use of derivatives instruments, their effect on reported amounts, or financial position.

Issue 5: Disclosure of Notional Amounts – Should the proposed Statement require the disclosure of notional amounts

The background information and basis of conclusions for the proposed Statement reasoned that disclosure of notional amounts is to provide information on the relative significance of an entity's overall exposure to derivative instruments and the magnitude of risks being managed. We disagree that the disclosure of gross notional amounts achieves these objectives particularly in cases where an entity enters into netting arrangements to mitigate its counterparty credit risk or has a general policy to fully offset its derivative portfolio in a matched book. In such instances,

the requirement to disclose the gross notional instead of the net exposure does not communicate the real magnitude of the underlying exposure thus providing misleading information and creating complexity rather than improving transparency.

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Issue 7: Disclosure of Gains and Losses on Hedged Items – Should information about "hedged items" that are not designated and qualifying Statement 133 hedging relationships be excluded from the disclosure tables

We do not believe that items not designated as hedging instruments under FASB 133 should be excluded from the disclosures tables as such exclusion will sacrifice the substance of what risks an entity is truly intending to manage. We believe that the requirement to only disclose the derivative instrument, not the risk item the entity intends to manage, diminishes the proposed Statement's objective of enhancing users of financial statements understanding of how and why an entity uses derivatives. Paragraph 45 of FASB 133 provides for qualitative disclosures of an entity's overall strategy; however, it may be more meaningful to see an item not specifically designated as a hedge under FASB 133 depicted with its associated derivative instrument in the disclosure tables instead of elsewhere. If there is a concern with consistency of strategy or which non-qualifying hedged item is matched with a particular derivative instrument in the disclosure tables, then we suggest a requirement to state whether the matched item had changed from a prior reporting period.

We agree that the disclosure tables should include gains and losses on the non-qualifying hedged items that are recorded at fair value as such disclosure will be consistent with the principle of showing the underlying economics of what risk an entity is intending to manage with derivative instruments regardless of whether the item qualifies for hedge accounting under FASB 133. Our opinion would not be affected by the proposed FASB Statement on the Fair Value Option for financial assets and financial liabilities.

Issue 8: Disclosure of Overall Risk Profile – Would the information that could be provided in the qualitative and quantitative disclosure encouraged by paragraphs 44 and 45 of FASB 133 be sufficient to inform users of financial statements about the risk management strategies of an entity and should management strategies be provided as part of the tabular disclosure required by the proposed Statement

Public entities currently registered with the Securities and Exchange Commission are required to provide quantitative and qualitative disclosures about risk in their periodic filings therefore we do not believe there is a need for more guidance. Furthermore, we would not support a requirement that an entity's overall risk management strategies be provided as part of the proposed disclosure tables as such a prescriptive format would be too restrictive given the breadth of strategies across entities. Subjecting these disclosures to the rigors of an audit opinion would also be difficult if not impossible.

Issue 9: Examples Illustrating Application of the Proposed Statement – Are the examples provided helpful in communicating the objectives of providing information on how and why an entity uses derivatives and on the overall effect of derivatives on an entity's financial position, results of operations and cash flows or would the examples be viewed as a prescribed method

We support a common standard that improves transparency and comparability of how and why entities use of derivatives. In order to prevent examples from being construed as the required prescribed form, we recommend that the proposed Statement provide the fundamental principles from which the required qualitative disclosures about objectives and strategies for using derivative instruments, contingent features in derivative instruments, and counterparty credit risk are derived. Entities would then be able to prepare their qualitative disclosures on derivatives based on the underlying principles set by the proposed Statement but tailored to individual strategies and derivative arrangements in a form most useful to users of financial statements.

Issue 10: Amendments Considered but Not Made – Do you agree with the decision not to require disclosures of an entity's overall risk management profile, methods of assessing hedge effectiveness, and situations in which an entity could have elected the normal purchases and sales exception

We support the FASB's decision not to require disclosures in the areas discussed in Issue 10. In particular, descriptions of methods used to assess hedge effectiveness require an understanding of quantitative, statistical analysis, which would be difficult to explain in Plain English to the average investor.

## Issue 11: Effective Date

We agree with the proposed effective date for this standard of fiscal years ending after December 15, 2007 but disagree with the requirement that beginning in the year after initial adoption comparative disclosures for earlier periods are to be presented. The comparative information for periods earlier than the year of adoption will be difficult to gather within the required timeframe, especially in consideration of the extent and form of the proposed additional disclosures and the timing of other major forthcoming FASB Statements such as the fair value option for financial assets and liabilities. We suggest that for the first year after initial adoption the FASB delay the comparative disclosures for prior periods and require the comparative disclosure in the year following the year after initial adoption.

We appreciate your consideration of these comments. Should you have any questions or like to further discuss these comments in more detail, please contact me at (415) 765-2742.

Sincerely,

Jacqueline Bean Senior Vice President and Manager Accounting Policy and Financial Reporting