new york state society of
NYSSCPA
certified public accountants

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March 2, 2007

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LETTER OF COMMENT NO. 16

Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

By email: director@fasb.org

Re: Exposure Draft – Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133 (File Reference No. 1510-100)

To Whom It May Concern:

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, submits the following comments to you regarding the above captioned exposure draft. NYSSCPA thanks the FASB for the opportunity to comment on this release.

The NYSSCPA Financial Accounting Standards Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with the committee, please contact Margaret Wood, chair of the Financial Accounting Standards Committee, at (212) 542-9528, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Thomas E. Riley

Thomas E. Riley
President

Attachment

NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
COMMENTS ON FASB EXPOSURE DRAFT

Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133

March 2, 2007

Principal Drafters

John J. McEnerney

NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

FINANCIAL ACCOUNTING STANDARDS COMMITTEE

COMMENTS ON FASB EXPOSURE DRAFT

Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133

File Reference No. 1510-100

General Comment

The Financial Accounting Standards Committee of the New York State Society of Certified Public Accountants has reviewed the Exposure Draft and is pleased to present the following comments.

While we understand that paragraph 3.a. is a principles-based approach to disclosing useful information, we expect that this will create some initial disputes between institutions and their external auditors regarding the extent of detail to be provided. We agree, however, with the objectives of paragraph 3.a., and we encourage the Board to proceed with this approach.

Comments on Enumerated Issues

Issue 1 - *Do you agree with the Board's decision to exclude from the scope of this proposed Statement prescriptive guidance about how derivative instruments should be presented and classified in the financial statements? Why or why not?*

Response: We agree with the Board's decision on the scope of the Exposure Draft as it is presented.

Issue 2 – *Do you agree that this proposed Statement should apply to both public and private entities? Why or why not?*

Response: We agree that a final Statement should apply to both public and private entities as financial statement users require useful information regardless of the type of entity active in derivatives.

Issue 3 – *Do you foresee any significant operational concerns or constraints in compiling the information in the format required by this proposed Statement? Are there any alternative formats of presentation that would provide the data more concisely?*

Response: We disagree with disclosing derivative instruments on a gross basis when they are subject to master netting arrangements and qualify for net presentation in accordance with FASB Interpretation No. 39. As institutions manage derivatives on a net basis and GAAP allows balance sheets to reflect net amounts when applicable criteria are met, we question whether gross numbers are relevant or useful.

We disagree with requiring the disclosure of notional amounts. See Issue 5 for further discussion.

Issue 4 – *Do you foresee any significant operational concerns or constraints in compiling that information for this disclosure?*

Response: While we recognize that institutions will have to incur additional expenses to track required items, we do not expect significant operational concerns with the requirement.

Issue 5 – *Do you agree that this proposed Statement should require the disclosure of notional amounts? Why or why not?*

Response: We disagree with including notional amounts as they are not helpful in determining financial risks. Additionally, the extremely large sizes often associated with notional amounts may mislead financial statement users into concluding that they provide something more significant than raw volume information. The Board potentially furthers this confusion in paragraphs B24 and B25 by suggesting that notional amounts may be indicative of risks.

We believe the Board appropriately eliminated the disclosure of notional amounts in Statement 133. The Board's logic, as detailed in paragraph 512 of Statement 133, remains persuasive. For example, that paragraph notes that derivative activity can be neutralized by either canceling the original derivative or by acquiring or issuing an offsetting derivative. For reporting purposes, however, these similar objectives result in opposite disclosures (i.e., to show either no notional amounts or double the original amount).

Issue 6 – *Do you agree that this proposed Statement should not require the disclosure of the aggregate notional amount related to derivatives that no longer exist at the end of the reporting period? Why or why not?*

Response: We agree with not requiring the disclosure of aggregate notional amounts related to derivatives that no longer exist at the end of the reporting period.

Issue 7 – *Do you agree that the information about "hedged items" that are not in designated and qualifying Statement 133 hedging relationships should be excluded from the disclosure tables? Alternatively, should the tables include gains and losses on "hedged items" that are recorded at fair value and are used in hedging relationships not* *designated and qualifying under Statement 133? Why or why not? Would your answer be affected by the forthcoming FASB Statement on the fair value option for financial assets and financial liabilities, which will provide the option to report certain financial assets and liabilities at fair value?*

Response: We agree that only hedges meeting Statement 133 requirements should be disclosed as hedges. Disclosing other "economic hedges" would be somewhat arbitrary and not comparable across institutions.

Issue 8 – *Do you agree that information that could be provided in the qualitative and quantitative disclosure encouraged by paragraphs 44 and 45 of Statement 133 would be sufficient to appropriately inform users of financial statements about the risk management strategies of an entity? If not, should additional information about an entity's overall risk management strategies be provided as part of the tabular disclosure required by this proposed Statement?*

Response: We suggest that the Board consider requiring disclosure of one or more measures of potential risk under usual conditions such as value at risk ("VaR") to provide more relevant information to users.

Issue 9 – *Are those examples 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, do you believe those examples would be viewed as a prescribed method to comply with the requirements of this proposed Statement?*

Response: We agree that examples are helpful.

Issue 10 – *The Board considered but decided against requiring additional disclosures as described in paragraphs B55–B63...*

Do you agree with the Board's decisions not to require disclosures in those areas? Why or why not?

Response: We agree with the Board's decisions in the interest of issuing guidance more promptly.

Issue 11 – *Does the effective date provide sufficient time for implementation?*

Response: Yes, we agree with the proposed timing.