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September 21, 2007

Russell G. Golden Director of Technical Application & Implementation Activities Financial Accounting Standards Board 401 Merritt 7, P.O. Box 5116 Norwalk, CT 06856-5116

Re: Proposed Issue E23 – FAS 133 Paragraph 68(a)

Dear Mr. Golden:

As cash-flow hedges are set-up to provide an exact mirror-image opposite of fair-value hedges, clarification is required on Benchmark rates used in FAS 133 Paragraph 68(a):

Fair-value hedge (FAS 133 Paragraph 21 – generally)

- Fixed to floating
- Carry-value = adjusted
- Changes to Earnings/Income Statement

Cash-flow hedge (FAS 133 Paragraph 28 – generally)

- Floating to fixed
- Notional = Principal (FAS 133 Paragraph 68(a))
- Effectiveness to OCI/Equity
 - Ineffectiveness to Earnings/Income

As cash-flow short-cut method requires **Notional = Principal**, (68(a)) clarification as to Benchmark rates used should reflect underlying interest rates used and not necessarily to LIBOR or Treasury, but also be open to local markets – e.g. FHLB (Local) as being most accurate, if indeed that local market is what is being used in the "match."

As LIBOR itself is determined by a "collective-bargaining" of banks, it too is an ever-changing Benchmark, and may in and of itself not necessarily be as accurate a Benchmark as other (local) rates reflecting "accurate-matching."

Please feel free to call or e-mail to discuss.

Regards,

Albert Gavalis

Albert Gavalis
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