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LETTER OF COMMENT NO. 30

15 October 2007

File Reference: Proposed FSP APB 14-a

Dear Mr. Golden:

UBS appreciates the opportunity to comment on proposed FASB Staff Position ("FSP") No. APB 14-a, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement) (the "Proposed FSP"). UBS is a global financial services firm that provides various financial products and services to entities looking to raise capital in the public and/or private capital markets. UBS also prepares its primary financial statements in accordance with International Financial Reporting Standards ("IFRS") and reconciles to US GAAP. We are therefore keenly aware of the differences between IFRS and US GAAP in relation to financial instruments and fully support the convergence of those frameworks.

Classification and accounting for instruments with characteristics of liabilities and equity is a complex area of accounting and we do not believe that an FSP, which addresses a narrow scope of convertible debt instruments, is the appropriate mechanism for introducing a change such as the one being proposed. This piecemeal approach to standard setting will lead to different accounting for economically similar instruments. That would decrease comparability of financial statements and may impair a user's ability to understand the financial position of entities that issue convertible debt instruments.

The principle of separate presentation of liability and equity components contained in a single financial instrument is consistent with IAS 32, *Financial Instruments: Presentation.* However, due to the inherent differences in the requirements for equity classification, the accounting for instruments included in the scope of the Proposed FSP will differ under IFRS and US GAAP. The FASB and IASB currently have on their agendas a joint project to develop a comprehensive standard of accounting and reporting for financial instruments with characteristics of liabilities and equity. We do not believe that it is prudent to amend US GAAP guidance for a narrow scope of instruments while that joint project is underway. The outcome of that joint project could have a significant impact on the accounting for all convertible debt instruments and, therefore, we strongly recommend that the FASB fold its efforts on the Proposed FSP into the joint liability and equity project. We believe that the Boards should focus on completing that joint project with convergence and broad financial statement comparability in mind.

If the Board decides to proceed with the proposals, we suggest that entities be permitted to elect the fair value option for the debt component of a separated convertible debt instrument. The resulting instrument is

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a financial instrument for which the fair value option should be made available. This is in-line with the accounting available under the IFRS fair value option and accounting permitted for a host financial instrument resulting from the separation of a non-financial hybrid under US GAAP. In addition, we would support allowing the fair value option for the instrument in its entirety.

We do not believe that the guidance in the Proposed FSP should be applicable for instruments that were appropriately accounted for under EITF 90-19, Convertible Bonds with Issuer Option to Settle for Cash upon Conversion and were either (a) amended and no longer fall within the scope of the Proposed FSP or (b) repaid prior to the effective date. We believe that retrospective application to those instruments is punitive and inconsistent with the transition guidance in EITF 04-8, The Effect of Contingently Convertible Instruments on Diluted Earnings per Share. Further, we recommend that the Board allow prospective adoption for entities that have adopted a stated policy of settling bonds gross in shares and have applied the if-converted method for determining earnings per share.

Lastly, we suggest that the FASB provide a transition period commensurate with the time necessary for issuers to understand the broad financial implications of the Proposed FSP as well as implement the proposed guidance. The Proposed FSP could have a dramatic impact on interest coverage ratios based on GAAP interest expense as well as debt/equity and other financial statement ratios and metrics. Given the expected timing of this guidance towards calendar year end, the recent issues in the credit markets and the potential impact the proposed guidance may have on debt covenants of the issuer, we believe that a transition period of at least one year is required to avoid adverse financial implications upon implementation.

We very much appreciate the opportunity to comment. If you would like to discuss any comments that we have made please do not hesitate to contact John Gallagher at 203-719-4212 or Michael Tovey 203-719-8164.

UBS AG

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