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

Via E-Mail to director@fasb.org

Re: File Reference No. 1510-100

Grant Thornton LLP appreciates the opportunity to comment on the Financial Accounting Standards Board (the Board) Exposure Draft of the Proposed Statement of Financial Accounting Standards, Disclosures about Derivative Instruments and Hedging Activities. We support the Board's effort to require additional information on the effect of derivative activities. Although we support issuance of the proposed Statement in principle, we believe that certain provisions should be modified. Our comments are organized to correspond with the issues within the "Notice for Recipients of This Exposure Draft" with additional comments following.

Scope

Issue 1

We agree with the Board's decision to exclude prescriptive guidance about how derivative financial instruments should be presented and classified in the financial statements. We believe that presentation and classification within financial statements would best be addressed in the broader context of financial statement presentation. Standards setting for presentation and classification within financial statements should not be done in a piecemeal fashion. Presentation and classification of financial instruments other than derivatives is equally important to financial statement users. Disclosures about derivatives instruments and hedging activities that result from this proposed statement will provide sufficient information to users in the interim as the Board addresses presentation and classification issues in the financial statement presentation project.



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Issue 2:

We believe that the proposed Statement should apply to both public and private entities. There is a wide spectrum of entities that are considered private. The users of financial statement of many private entities have objectives that are virtually the same as the users of financial statements of public entities.

Cost of Implementing the Proposed Statement's Disclosure Requirements

Issue 3

We do not foresee entities having significant difficulty compiling the information as to derivative fair values, derivative notional amounts, hedged items, and gains and losses of derivatives and hedged items.

Issue 4:

We do not believe it is clear what is meant by "contingent features" and, without further clarification, believe that there will be diversity in practice as to whether some features are considered "contingent features." Although we do not foresee entities having significant difficulty compiling the information as to the existence and nature of contingent features present in derivatives or the aggregate fair value of derivatives with contingent features, we do believe that disclosure of the aggregate fair value amount of assets that would be required to be posted as collateral or transferred if the contingent feature is triggered may be more difficult to prepare. Depending on further clarification of what is meant by "contingent features," the actual amount of collateral to be posted or assets to be transferred may vary significantly depending on a number of factors.

Disclosure of Notional Amounts

Issue 5

We agree with the Board's decision to require disclosure of notional amounts; however, without requiring additional qualitative or quantitative information we do not believe that the disclosure of notional amounts may be sufficiently meaningful. While disclosing the notional amounts of derivatives provide some perspective into the pervasiveness of an entity's use of derivatives, such data is not sufficiently meaningful without more information and may lead a user to believe that an entity is exposed to or has mitigated more or less risk than it has. For instance, disclosing the notional amount of an interest rate swap without disclosing the term of the swap may not provide sufficiently meaningful information. As proposed, disclosures relative to an interest rate swap with a one year term may look identical to disclosures relative to an interest rate swap with a ten year term, yet risk exposure or mitigation of risk exposure of the two swaps is significantly different. As proposed, disclosures relative to a purchased option may look identical to disclosures relative to a forward that is an asset, yet risk exposure or mitigation of risk exposure of the two instruments may be significantly different.



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Issue 6:

We agree with the Board's decision not to require disclosure of the notional amount of derivatives that existed during the reporting period but no longer exist at the end of the reporting period. Aggregation of notional amounts of derivatives that no longer exist as of the end of a reporting period may present operational concerns or constraints for many entities.

Disclosure of Gains and Losses on Hedged Items

Issue 7:

We agree with the Board's decision not to permit an entity to include quantitative information in the tables about "economic hedging relationships" associated with derivatives that are not designated as hedging instruments. We do not believe that sufficient guidance could be provided for quantitative disclosures to insure that they would be presented in a consistent and meaningful manner. We do believe that if an entity has elected the fair value option under Statement 159 for financial assets or liabilities it would be appropriate and meaningful to disclose quantitative information about such financial assets or liabilities that is consistent with management's reason for electing the fair value option.

Disclosure of Overall Risk Profile

Issue 8:

As noted in our response to Issue 10, we believe that qualitative disclosures as to an entity's overall risk management profile should be required.

Examples Illustrating Application of This Proposed Statement

Issue 9:

We agree that examples of qualitative disclosures are helpful in providing preparers useful information. Although many constituents may prepare disclosures based on the examples, we do not believe that the examples would be viewed as the only method to comply with the requirements.

Amendments Considered but Not Made

Issue 10:

We disagree with the Board's decision not to require qualitative disclosures as to an entity's overall risk management profile. We believe that disclosures designed to enable users to understand how and why an entity uses derivatives would be more meaningful when part of disclosures about an entity's overall risk management profile. In some cases this may be the only way to provide meaningful disclosures as to how and why an entity uses derivatives. We encourage the Board to require such disclosures and to provide examples to illustrate ways in which entities could meet this objective.



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We agree with the Board's decision not to require disclosure of methods used to assess hedge effectiveness or situations in which an entity could have elected the normal purchases and sales exception, but didn't. The fact that (a) a hedging relationship must be highly effective in order to apply hedge accounting and (b) hedge ineffectiveness is recognized in earnings should obviate the need for disclosures as to methods used to assess hedge effectiveness. Just as applying hedge accounting is in some cases left to an entity to elect, applying the normal purchases and sales exception is left to an entity to elect and for this reason we agree with the conclusion that disclosure of situations in which an entity could have elected the exception is unnecessary. Disclosure of methods used to assess hedge effectiveness or disclosure of situations in which an entity could have elected the normal purchases and sales exception could lead to improper inferences being made.

Effective Date

Issue 11:

We believe that the effective date should be for financial statements issued for fiscal years beginning after November 15, 2007. This effective date corresponds to the effective dates for Statements 157 and 159 which require disclosures that are related in some respects. As proposed, the effective date would result in disclosures in the second year (for instance year ended December 31, 2008) based on fair values and changes in fair values under Statement 157 while comparative disclosures (year ended December 31, 2007) would be based on fair values and changes in fair values under previous definitions of fair value. In addition, an effective date of fiscal years beginning after November 15, 2007, would provide at least an additional three months for entities to implement the requirements which we believe should be sufficient.

We believe that all standards (such as this proposed statement) should be effective as of the beginning of an entity's fiscal year, unless they are issued to provide implementation guidance or to correct diversity in interpretation.

Additional Comments

The objectives and disclosure requirements of Statements 157 and 159 are similar and may be related to some of those in the proposed Statement. We believe that consideration should be given to providing derivative disclosure examples that take into consideration disclosures required by Statements 157 and 159. For instance, both Statement 159 and the exposure draft require disclosures to explain an entities rationale for certain actions. Statement 159 requires an entity to explain why it has elected the fair value option for certain financial instruments and the exposure draft requires an entity to explain why it uses derivatives. This may be best explained together. As noted in our response to Issue 10, we believe that disclosures designed to enable users to understand how and why an entity uses derivatives would be more meaningful when part of disclosures about an entity's overall risk management profile.

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Conclusion

We appreciate the opportunity to comment on the proposed Statement and would be pleased to discuss our comments with Board members or the FASB staff. If you have any questions, please contact Mark Scoles, Partner, Accounting Principles Group at 312 602 8780.

Very truly yours,

/s/ Grant Thornton LLP