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October 15, 2007



LETTER OF COMMENT NO. *48*

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

director@fasb.org

Re: Proposed FSP APB 14-a

Dear Mr. Golden:

Prudential Financial is pleased to have this opportunity to comment on the FASB's proposed FASB Staff Position concerning the accounting by issuers of certain types of convertible debt. We agree that the existing accounting guidance for convertible debt instruments should be improved. However, we offer the following comments on the current proposal.

Concepts introduced should be applied more broadly

While we generally believe that a bifurcation approach along the lines of what is described in the proposed FSP would increase the representational faithfulness of financial reporting for convertible debt instruments, we do not believe that the instruments included within the scope of the proposed FSP are the only instruments that should follow this approach. The concepts supporting the bifurcation approach for instruments in the scope of the proposed FSP may well be applicable even to traditional convertible debt.

We also note that convertible debt within the scope of the proposed FSP may be modified as a result of the FASB's ongoing Liabilities and Equity project. We are concerned with the potential of having to modify our accounting for instruments once in the short term, as a result of the proposed FSP, and then again soon thereafter as a the result of Phase II of the Liabilities and Equity project.

We therefore recommend that the Board consider deferring the proposed FSP, and suggest that all of the concepts associated with all types of convertible debt issuance be included in the Board's ongoing deliberations on the Liabilities and Equity project.

There is no time sensitivity versus other convertible instruments

Some have suggested that the FASB's consideration of this issue at this time and in this form is in response to a perceived abuse in the reporting for instruments within the scope of the proposed FSP. This perception arises because the instruments within the scope of the proposed FSP have the same income statement treatment as traditional convertible debt (i.e., reflect a lower interest expense than pure debt financing), but result in lower dilution in the issuer's earnings per share calculation when compared to traditional convertible issuances. We do not believe this perception is accurate.

For the most part, the economic characteristics of traditional convertible debt and instruments within the scope of the proposed FSP are similar, differing only in the settlement alternatives upon conversion. During the life of the instruments, and until conversion occurs, the instruments behave similarly and should therefore be treated similarly in the issuer's financial statements.

The difference arises upon conversion. For example, a company may issue convertible debt that requires, upon conversion, settlement to be made in cash in an amount equal to par, and the excess of the settlement value over par must be settled in shares. If converted, this kind of net-share settled convertible debt will result in less dilution - far fewer shares would be issued than under a traditional convertible issuance. Therefore, such an instrument should be less dilutive in the earnings per share calculation while it is outstanding. We therefore do not believe there is sufficient cause to hurry to address the instruments in the scope of the proposed FSP, ahead of other forms of convertible debt and the completion of the Liabilities and Equity project.

Reconsider proposed conversion-date accounting

Whether considered in further deliberations on the proposed FSP or as part of the Liabilities and Equity project, we suggest that the conversion-date accounting described in the proposed FSP be reconsidered, as it differs from the accounting in other situations in which a company issues shares other than for cash in the market (e.g., in settlement of an option on the company's own shares treated as an equity instrument).

Under the proposed FSP the fair value of the shares, plus cash, issued in settlement of a conversion is allocated first to the debt component in an amount equal to that component's fair value (as determined immediately prior to the conversion), with the remaining settlement value allocated to the reacquisition of the equity component.

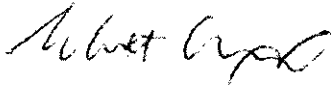
We believe a better approach would be to treat a conversion as: (1) the early repayment of the debt component in accordance with its terms, and (2) the simultaneous exercise of the equity component - a call option on the issuer's shares. Each piece should be accounted for in accordance with applicable, existing GAAP.

Under this view, the early settlement of the debt component results in an acceleration of the expense recognition of any unamortized discount or issuance costs, and not in an extinguishment gain or loss as may arise under the proposed FSP.

The call option would be treated in accordance with existing GAAP (i.e., based upon the relevant settlement alternatives as described within EITF 00-19), in which the shares issued are accounted for at the values received. In the case of a conversion option, this should be only the amounts credited to Additional Paid-in Capital when the instrument was issued, and not the fair values of the shares issued.

Again, Prudential Financial appreciates having the opportunity to express its views on this important issue. Should you have any questions on our comments, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Axel". The signature is written in a cursive, flowing style.

Robert Axel
Vice President & Chief Accountant