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Leslie Seidman, Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
P. O. Box 5116  
Norwalk, CT 06856-5116

Submitted via electronic mail to [director@fasb.org](mailto:director@fasb.org)

**Unsolicited Comments on *Accounting for Financial Instruments***

Dear Ms. Seidman:

Intel is concerned with certain tentative decisions made by the Board with respect to the Accounting for Financial Instruments project (the Project). As stated in our comment letter on the related Exposure Draft, we support the FASB's objective to improve the decision usefulness of financial instrument reporting by providing users with a more timely and representative depiction of financial instrument activities while reducing the complexity in accounting for financial instruments. However, the Board's tentative decisions on the measurement attribute for non-marketable equity securities and certain financial liabilities, as well as the Project's interaction with the FICE project, continue to raise our concern about whether the Project will meet the stated objectives.

***Changes in the Fair Value of Financial Assets Through Net Income Could Result in Misleading and Inappropriate Volatility***

Our goal is to be the preeminent provider of semiconductor chips and platforms for the worldwide digital economy. We generate the majority of our cash flows by manufacturing and selling semiconductor chips and platforms, which constitute our ongoing central operations. We also have a significant investment portfolio. Our objective for our cash and marketable financial instruments is to preserve principal while maximizing yields. The purpose of our investments in our non-marketable equity portfolio is to further our strategic objectives and support our key business initiatives. Despite the significance of our financial assets and liabilities, our business strategies are such that the majority of our cash flows are generated by manufacturing and selling semiconductor chips and platforms rather than from the realization of gains and losses on our financial instruments.

The Board's discussions and tentative decisions on the Project to date suggest that the final standard may require many investments in non-marketable equity securities made by public entities to be accounted for at fair value through net income. We believe such a model would lead to reporting results that are inconsistent with the management strategies of many non-financial entities. Because of our strategic

objectives and the nature of our operations, the recognition of fair value changes in net income would result in misleading and inappropriate volatility as these changes do not represent realized cash flows representative of our core cash generating activities. The nature of the questions our analysts ask during conference calls and analyst days indicates that they benefit from a presentation of net income that is more focused on core operations than on investing and financing activities. While we provide many opportunities for analysts and other users to inquire about any of our business activities, we have not received any requests that suggest that the current presentation and disclosure requirements for financial instruments are inadequate. Given the significance of our investment portfolio and our financing activities, it seems reasonable to assume that we would receive more questions in this area if it were true that presentation or disclosure requirements were lacking for non-financial entities.

As stated in our comment letter on the Project's Exposure Draft, we support the IASB's proposed model, which permits an entity to classify financial assets on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. An entity is able to make an election to recognize changes in fair value outside of net income for investments in equity instruments that are not held for the purpose of trading. We recommend that the Board modify the classification requirements to ensure that they truly reflect management's strategic intent. We would be happy to work with the Board in developing the appropriate language.

#### ***Measuring Financial Liabilities at Fair Value May Create or Exacerbate a Measurement Attribute Mismatch***

As stated in our comment letter on the Project's Exposure Draft, we believe that measuring financial liabilities at fair value and classifying the changes in net income may create or exacerbate a measurement attribute mismatch. In acknowledgment of circumstances where fair value measurement would not provide decision useful information, the Board had proposed specific criteria that, if met, would permit recognition of fair value changes outside of net income. We believed that these criteria created bright lines that did not consider the nature of an entity's operations or allow for the exercise of judgment by management. We are pleased with the direction that the Board is now taking in permitting certain debt instruments to be recognized at other than fair value through net income. Specifically, we agree that debt instruments that qualify for the exception in paragraph 815-10-15-74(a) and do not require separation under paragraph 470-20-25-12 should be measured at amortized cost in their entirety. In some cases, issued convertible instruments have derivative features apart from the conversion feature that requires bifurcation. We believe and hope that the final standard will indicate that these features should not be determinative when they are clearly inconsequential in relation to the magnitude of the conversion feature. Intel has issued convertible debt that would be affected by the guidance in the final standard. We believe that measurement of this convertible debt at amortized cost best reflects the economics of the arrangement and management's strategic intent.

#### ***Determining the Full Impact of the Project is Not Possible Without an Understanding of Potential Changes to How Liability and Equity Components are Separated Under the FICE Project***

The "Financial Instruments with Characteristics of Equity" ("FICE") project will ultimately determine which financial instruments will be classified as liabilities and, therefore, are within the scope of the proposed guidance on accounting for financial instruments. Given the Board's decision to delay any work on the FICE project until December 2011 due to its lower priority, we are concerned with the fundamental link between these two projects and the inconsistency in project roadmaps. It is difficult to determine the true impact of the Project, without first understanding what instruments may be subject to its requirements, specifically with regard to the classification and measurement of convertible debt instruments that currently require separation. We also believe that entities may find it costly to implement two different sets of convergence changes for instruments that could be affected by both the Project and the FICE project. For those reasons, as we stated in our comment letter on the Board's Discussion Paper, *Effective Dates and Transition Methods*, there is an inherent grouping of the new

standards that should occur based upon the areas they impact and that the Board's should work on both projects concurrently.

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Thank you for your consideration of the points outlined in this letter. If you have any further questions or would like to discuss our responses further, please contact me at (971) 215-7931, or Liesl Nebel, Accounting Policy Controller, at (971) 215-1214.

Sincerely,

James G. Campbell

Vice President, Finance Corporate Controller  
Intel Corporation