

September 30, 2010

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

Re: File Reference No. 1810-100; Proposed Accounting Standards Update, Financial Instruments (Topic 825) and Derivatives and Hedging (Topic 815) - Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

To Whom It May Concern:

We appreciate the opportunity to comment on the FASB's Proposed Accounting Standards Update, *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* (Proposed Update). Our comments are limited to the changes proposed to the accounting for derivative and equity instruments as they have the most significant impact on our Company.

While we support the FASB's objective to provide financial statement users with a more timely and representative depiction of an entity's involvement in financial instruments, we believe that the proposed changes do not meet the stated objectives for either derivative or equity instruments. Specifically, we have concerns in the following areas:

Hedge Effectiveness

We are in favor of the FASB's proposal to eliminate the requirement of performing a quantitative assessment of the effectiveness of an ongoing hedging relationship. However, we believe that eliminating the Critical Terms Match and the Short Cut method is a move against simplifying the effectiveness testing approach. We respectfully disagree with the FASB's rationale that the difficulties in complying with the strict criteria in the Critical Terms Match and the Short Cut method led to numerous practice problems and restatements. Our experience has indicated that both of these approaches provide a simple, low-cost and effective framework for assessing hedge effectiveness for plain-vanilla derivatives. Additionally, these approaches are essentially qualitative in nature and hence would align with the FASB's overall objective of promoting qualitative hedge effectiveness assessments.

Further, we would also like the FASB to consider providing clarifying guidance surrounding the term "reasonably effective" used for effectiveness testing. The absence of a clear framework for measuring effectiveness would result in a myriad of approaches,

which among other things would adversely affect the comparability of the financial statements. With the anticipated convergence with International Financial Reporting Standards (IFRS), we understand the need for standards to be principles-based rather than rules-based. However, adding ambiguity to the standard would result in confusion and will deter from the FASB's objective of providing high quality accounting standards. Finally, we are also concerned about the "auditability" of the proposed changes. In the absence of any clear guidance, the auditors would set their own standards for measuring hedge effectiveness, which may be onerous and arbitrary.

Component Hedging

As part of our comments for the proposed amendment to FASB Statement No. (FAS) 133, issued in 2008, we had urged the FASB to allow hedging of component risks of non financial assets or liabilities. We again reiterate our support for this approach. For a nonfinancial contract, the FASB should consider allowing hedging a specific component of the price, when the component is clearly defined and identifiable and the amount purchased is consistent with the production requirement of a business. There are many contracts that are based on a "cost plus" formula or have multiple price components. In such cases, we believe hedging against a particular price component would be a prudent business strategy as it manages the risk of change in a significant component of the cost of the purchased item without introducing financial statement volatility related to unhedgeable costs. Additionally, the changes in the market-indexed component of the item's price are, in many hedging relationships, closely related to the hedging derivative. We also understand that the proposal issued by the International Accounting Standards Board (IASB) on revisions to hedge accounting is expected to allow component hedging. Thus, the FASB's reconsideration of this issue will also help in achieving convergence with IFRS.

Voluntary De-designation of Hedges

We suggest that the FASB reconsider the proposal to eliminate the option for voluntary de-designation of hedges. We agree with the FASB's position that arbitrary de-designation should not be used as a tool for changing measurement attributes and/or managing the classification of certain items reported in net income. However, there are instances where a de-designation of a hedge is part of a valid business strategy and hence should be reflected as such in the income statement. For example, a cash flow hedge of forecasted foreign currency sales should be de-designated once each sale occurs as the economic substance of the hedge is to the fix the sales price and hence any gain/loss on the hedge should be transferred to the income statement in the same period as the sale to reflect the economics of the transaction. The hedge can be subsequently marked to market through the income statement until the day of its settlement, which is typically close to the date when cash is collected.

Underhedges

We do not agree with the proposal to record in earnings, ineffectiveness relating to underhedges for cash flow hedging relationships. The proposal would require recording hedging gains or losses in earnings when the present value of the expected cash flow of the hedged transaction exceeds the present value of the expected cash flow of the hedging derivative. Consequently, the proposal would result in the recording of non-existent gains or losses and would not be a fair representation of the hedging relationship. This also would be in direct contrast to the FASB's conceptual basis for not requiring to record underhedges described in FAS 133.

Transition

The Proposed Update does not provide transition guidance for derivatives existing on the date of adoption. We strongly recommend that the derivatives that were considered as effective hedges using either the Critical Terms Match or the Short Cut method should continue to be considered as effective hedges upon adoption of the Proposed Update. Reperforming the hedge effectiveness assessment of all existing hedges will result in significant administrative burden upon the preparer community and will likely not result in a different conclusion. This is primarily as both the Critical Terms Match and the Short Cut method are essentially qualitative in nature and hence a derivative qualifying under either of the two approaches is very likely to be "reasonably effective".

Equity Method

The changes in the Proposed Update will require all equity investments over which the investor does not have significant influence and whose operations are not related to the operations of the investor be recorded at fair value. While the requirement for significant influence is not a new requirement for equity investments, the requirement for operations to be related is a new provision. Based on the definition of related operations, a number of investments that currently qualify for the equity method of accounting may not qualify and hence may be required to be measured and recorded at fair value. We believe that it would be inappropriate to value these investments at fair value as these investments are typically made for long-term strategic reasons and not for trading purposes. Secondly, a majority of equity investments are in entities that are not publicly traded and hence their fair values might not be easily available on a timely basis for quarterly reporting. It would require performing valuations, which may involve the use of outside consultants, at a considerable cost. These valuations would be based on Level 3 (as defined in Topic 820) valuation techniques, which inherently are highly subjective, resulting in increased complexity and reduced comparability. Finally, the existing rules for accounting for equity investments have provided sufficient transparency and information to the users and, therefore, we do not see a need for any change in the accounting for equity instruments.

If the FASB decides not to accept our above recommendations on the equity method of accounting, we recommend that the FASB allow for subsequent reassessment of the relationship in case of any significant changes in circumstances.

Equity Investments

Under the current proposal, all equity investments will be initially measured at fair value, with subsequent changes in fair value recognized in the income statement. We believe that for a non-financial institution that is not involved in the trading of equity securities, this rule will lead to an inappropriate representation of the operations of the company. We are particularly concerned with recognizing the changes in the valuation of the securities that per Topic 320 are currently classified as "Available-for-Sale". These securities generally represent investments entered into for long-term strategic purposes, and hence changes in their fair value should not be included in an entity's core operating results. We fear that this would also result in unnecessary fluctuations that would not be indicative of any real trend in the operations of the underlying investment. We believe that the existing treatment for "Available-for-Sale" securities under which all changes in the fair value are recognized in other comprehensive income provides an appropriate representation of the essence of the transaction. As such we strongly recommend that the FASB continue to allow the existing treatment for "Available-for-Sale" securities.

Convergence with International Accounting Standards

Over the past few years a consensus has emerged amongst the regulators, the preparer and user community that a convergence of US generally accepted accounting principles with IFRS is inevitable. Towards that end, we are disappointed that the Proposed Update differs from the IASB's proposals on fair value and credit impairment. Additionally, as we have stated previously in this letter, the Proposed Update will differ from the IASB's expected proposal to allow hedging of component risk of non-financial assets and liabilities. In order to facilitate a smooth convergence, we strongly urge the FASB to reconsider its position on the above issues and achieve symmetry with the IASB's proposals.

Positive Changes

Although we have significant concerns regarding some of the changes in the Proposed Update, we do support the following and encourage the FASB to retain these changes in the final standard:

Intercompany Hedges

The FASB had considered eliminating the risk created from inter-company exposures as being eligible for hedge accounting, in its proposed amendment to FAS 133, issued in 2008. The Proposed Update does not include a similar restriction. We strongly support

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the continued allowance of inter-company exposures to be eligible for hedge accounting as these exposures represent tangible risks to the entity.

Transaction Group

We applaud the FASB for recognizing the practical challenges of hedging cash flow exposures relating to a group of future transactions by clarifying that the effectiveness of such hedges can be measured using a derivative that settles within a reasonable period of time of the cash flows related to the hedged transaction. We strongly recommend that that the FASB retain this change in the final standard.

We ask that the FASB reconsider issues raised with respect to the Proposed Update and whether the benefits of the changes to the standard outweigh the concerns of preparers and meet the expectations of the investment community.

We would be pleased to discuss our comments or answer any questions that you may have. Please do not hesitate to contact me at (914) 253-3406.

Sincerely,

Peter A. Bridgman

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Senior Vice President and Controller

cc: Hugh Johnston, Chief Financial Officer Marie T. Gallagher, Vice President & Assistant Controller