



September 30, 2010

Via email: director@fasb.org

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference: No. 1810-100

Dear Mr. Golden:

Medtronic, Inc. ("Medtronic," "we,"") appreciates the opportunity to provide the Financial Accounting Standards Board (the "FASB," or the "Board") with our comments on the Board's Exposure Draft regarding Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities dated May 26, 2010 (the "Proposed Standards Update"). Medtronic is a global leader in the medical technology industry.

Summary

We understand and support the Board's efforts to address and improve the accounting and disclosures for financial instruments, particularly given the recent global financial crisis. We also support the Board's objective, together with the International Accounting Standards Board ("IASB"), towards the goal of achieving a single set of high-quality global accounting standards specific to financial instruments. However we believe that the Proposed Standards Update, taken as a whole, does not provide the most appropriate and effective accounting guidelines to achieve that objective. Our most significant concerns with regards to the Proposed Standards Update include the following:

- We find the lack of successful convergence on the financial instruments project discouraging. The Board and the IASB have arrived at significantly different conclusions on several key issues. We believe the Board should harmonize with the IASB with respect to financial instruments before requiring U.S. companies to adopt new accounting guidance that is this evasive from current practice and which may have a short shelf life assuming convergence is achieved in the future.
- We do not believe that narrowing the scope of the equity method of accounting is appropriate.

- We believe that expanding fair value to all financial instruments as a primary measure does not always reflect economic reality. We believe the valuation for certain financial instruments which are not intended to be traded and for which an entity plans to hold to collect contractual cash flows consisting of payments of principal and interest on specified dates should be allowed to retain their carrying value using an amortized cost method.
- We believe the short-cut method and critical terms matching methods should be retained for typical and common “vanilla” hedging strategies.
- We believe De-designation of hedge instruments is a prudent and cost-effective risk management strategy.

We find the lack of successful convergence on the financial instruments project discouraging.

We support the overall convergence efforts of the FASB and IASB. However, we have been discouraged to date by the fact the FASB and the IASB have been unable to converge their respective proposals on fair value measurement and credit impairment, and appear to be headed in conflicting directions. The model used in the Proposed Standards Update is significantly different from the classification and measurement model for financial assets under International Financial Reporting Standards (“IFRS”) and from the proposed model for financial liabilities under the IASB’s proposal. Given the magnitude of the Proposed Standards Update and the current lack of alignment with the current IASB proposal, we believe that it is premature for the FASB to move forward with finalization of the Proposed Standards Update and encourage the Board to work collaboratively with the IASB during the redeliberations phase to resolve remaining substantive differences.

Question 4: The proposed guidance would require an entity to not only determine if they have significant influence over the investee as described currently in Topic 323 on accounting for equity method investments and joint ventures but also to determine if the operations of the investee are related to the entity’s consolidated business to qualify for the equity method of accounting. Do you agree with this proposed change to the criteria for equity method of accounting? If not, why?

We do not believe that narrowing the scope of the equity method of accounting is appropriate.

We do not support the addition of new criterion that the operations of the investee must be considered “related” to the entity’s consolidated business for the following reasons:

- The expansion of fair value measurement to equity method investments will generate significant interpretive issues that likely will create diversity in practice, resulting in different accounting models for similar (strategic, long-term oriented) equity method investments.

- Accounting for investments that would otherwise require equity method accounting were it not for the related criteria at fair value is inconsistent with the proposed guidance from the IASB and therefore creates an additional convergence difference.
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- The proposal may adversely affect the reliability of reported results as many of the valuations for these investments would be based on “Level 3” valuation techniques.
 - Consolidation of all entities where control is present is required regardless of differences between the parent and subsidiary’s business operations. Since equity method accounting is “one-line consolidation”, equity method accounting should be required where significant influence is present and the nature of investment is for long-term strategic purposes, regardless of the presence of differences in business operations.
 - Applying the related criteria for investments in voting interest entities but not for investments in variable interest entities creates an unnecessary inconsistency in the equity method accounting rules.

We believe that any fundamental change to the equity method of accounting should be part of a comprehensive review that is deliberated jointly by the FASB and the IASB.

Question 13: The Board believes that both fair value information and amortized cost information should be provided for financial instruments an entity intends to hold for collection or payment(s) of contractual cash flows. Most Board members believe that this information should be provided in the totals on the face of the financial statements with changes in fair value recognized in reported stockholders’ equity as a net increase (decrease) in net assets. Some Board members believe fair value should be presented parenthetically in the statement of financial position. The basis for conclusions and the alternative views describe the reasons for those views. Do you believe the default measurement attribute for financial instruments should be fair value? If not, why? Do you believe that certain financial instruments should be measured using a different measurement attribute? If so, why?

We do not support the proposed expansion of fair value.

Although we believe fair value provides users of the financial statements with useful and relevant information and believe fair value is a relevant measure for many financial instruments, we recommend the FASB reconsider its decision to require fair value as the primary measurement attribute in the financial statements. We believe that an entity’s business strategy should be the primary driver of financial asset classification. In cases where the business strategy is to hold the financial asset until maturity, we believe measuring at fair value will result in artificial volatility in the financial statements which will not be ultimately realized in most cases. In such instances, we believe fair value would not reflect economic reality, and thus we fail to see the benefit of measuring all financial assets at fair value in the financial statements. We also have reservations regarding the reliability of fair value measurements, especially for illiquid instruments.

We support a mixed attribute measurement model based on an entity's business strategy. We support the continued usage of the amortized cost model for financial instruments that are intended to be held for their contractual cash flows and support the IASB's criteria for amortized cost approach in this regard. Such a model ensures both accounting and economic conformity between financial assets and liabilities because this method inherently considers an entity's business strategy and intent with respect to the instrument's cash flow characteristics. For these reasons, we believe amortized cost remains the most relevant measure for financial assets held for investment or managed for the foreseeable future. We believe an amortized cost model, in conjunction with the right credit impairment and interest income recognition guidance and supplemental qualitative and quantitative disclosures, will better align the accounting with the metrics used to evaluate the overall financial performance of such assets.

Hedge Effectiveness:

Paragraph 115 of Proposed Standards Update states "The shortcut method and critical terms matching method are eliminated and shall not be used to assume either that a hedging relationship is completely effective or that no ineffectiveness needs to be recognized in net income during the term of the hedge."

We believe the short-cut method and critical terms matching methods should be retained for typical and common "vanilla" hedging strategies.

In our opinion, the short cut method for measuring effectiveness during the term of a hedge relationship allows companies to efficiently and properly apply hedge accounting to typical and common "vanilla" hedging strategies (such as hedges of foreign currency sales and purchases and fair value hedges for fixed rate debt) without significant costs from the need for additional resources and complex valuation techniques. We believe an operational burden frequently may arise from having to create and then track hypothetical derivatives in conjunction with the requirement to measure effectiveness under the long haul method for all hedge relationships, including the most straightforward effective ones. If the Board believes there are specific abuses that need to be addressed with regards to the current short-cut method, we would encourage such specific areas be addressed, as we believe the vast majority of the application of the short-cut method to common "vanilla" hedging strategies is sound.

The existing long haul calculation method requires entities to include the impact of credit spreads that can result in the calculation of more ineffectiveness than is reflective of the economics of these highly effective hedging relationships. We believe hedging relationships should not result in greater ineffectiveness simply because credit spreads on the hedged item widen (unless the counterparty is more probable than not likely to perform under the contract). The method permitted under IFRS to hedge only the portion of the cash flows associated with the hedged risk simplifies this calculation while capturing a more appropriate measure of hedge ineffectiveness. The IFRS method does not consider credit spreads but considers the interest rate components that have been designated in the hedging relationship. This approach has been an element of IFRS hedge accounting for many years and has proven to be a useful and operational method. Given the objective of this project is to achieve a converged standard, we believe it is important for the Board to incorporate this concept into the final Standard Update. We encourage the Board to

address the problems and operational difficulties associated with calculating ineffectiveness under the long haul method, especially for simple “vanilla” hedging relationships, before requiring its use.

Question 63: Do you foresee any significant operational concerns or constraints arising from the inability to discontinue fair value hedge accounting or cash flow hedge accounting by simply dedesignating the hedging relationship? If yes, what constraints do you foresee and how would you alleviate them?

We believe De-designation of hedge instruments is a prudent and cost-effective risk management strategy.

We strongly disagree with the proposed prohibition of voluntary de-designation of hedge accounting relationships. We do not understand the Board’s conceptual basis for this change. The assumption that preparers will simply terminate or offset hedging relationships in lieu of utilizing de-designation does not reflect the true business realities and significant incremental costs of doing so and fails to recognize that such actions do not provide the entity with meaningful economic benefits. Hedging the risks embodied in large portfolios of financial assets is inherently dynamic. As economic conditions change, the risk profile of the hedged exposure may be affected. Accordingly, it may be necessary for a company to enter new hedging relationships and exit, or de-designate, existing hedge relationships to most effectively manage exposures to the hedged risk.

The objective of dynamic hedging strategies is to promote effective risk management by ensuring the hedging relationship contemplates the changing economic conditions of the hedged item. Prohibiting de-designation runs counter to the principle that qualifying hedge accounting strategies must be effective. The Board has expressed concern that these valid risk management strategies may be used by an enterprise to “manage earnings”. However, we believe this concern is unwarranted as de-designations and re-designations must be documented in advance of any anticipated market movements. As such, we do not believe it is not possible for management to manipulate earnings, as the impact of de-designating a hedge can only be achieved prospectively. We believe providing enhanced disclosure requirements as to why companies use de-designation strategies would better address the Board’s concerns rather than mandating a prohibition on hedge accounting for these strategies.

Furthermore, the proposal is unclear as to whether net investment hedges are affected by the elimination of voluntary de-designations. Due to the nature of the underlying, net investment hedges often involve strategies that include de-designation and re-designation of both derivative and non-derivative instruments. Accordingly, we believe the final standard should specifically exclude net investment hedges from the prohibition against de-designation/re-designation strategies.

Conclusion

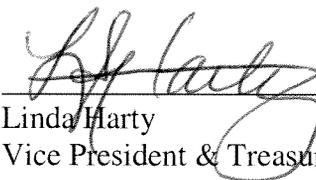
While we support the FASB and IASB convergence efforts, we are strongly opposed to several of the provisions included in the Proposed Standards Update as outlined above. For the foregoing reasons, we believe the Board should not move forward with certain proposals contained in the

Proposed Standards Update. If the Board nevertheless elects to move forward with the Proposed Standards Update in any form, we respectfully ask you to review carefully and evaluate all comment letters received, and specifically to consider carefully the issues identified in this comment letter. We also urge the Board to conduct proper field testing, including with appropriate non-banking industry representation, to identify and understand the full consequences of the proposed guidance.

Very truly yours,



Gary L. Ellis
Sr. Vice President & Chief Financial Officer



Linda Hart
Vice President & Treasurer