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Financial Accounting Standards Board  
Technical Director  
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We appreciate the opportunity to comment on the Proposed Accounting Standards Update—"Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" ("proposed ASU").

Air Products and Chemicals, Inc ("Air Products") serves customers in industrial, energy, technology, and healthcare markets worldwide with a unique portfolio of atmospheric gases, process and specialty gases, performance materials, and equipment and services. In fiscal 2009, Air Products had annual revenues of \$8.3 billion and operations in over 40 countries. We are an active participant in the derivative markets, using these products to hedge financial risks in a variety of ways, all governed by strict corporate governance policies.

Overall, we support the Board's efforts to provide financial statement users with more relevant and reliable information that they can use to evaluate an entity's performance. However, we are opposed to various aspects of this proposed ASU, including the fair value through net income approach for available for sale securities, as well as, the elimination of the short-cut method and the ability to dedesignate an effective hedging relationship, for the reasons stated below. We believe that the current guidance in topic 320 (Investments-Debt and Equity Securities) and topic 815 (Derivatives and Hedging) is appropriate and more reflective of the economic impact of an entity's involvement in these instruments. Additionally, we believe topic 815 has evolved into a workable hedge accounting framework. Over the years, we and other companies have spent a significant amount of time, effort and resources on developing processes and systems to comply with the current guidance.

We do not support the classification and measurement approach for equity securities currently classified as available for sale securities as amended by the proposed ASU to be recorded at fair value through net income. While these available for sale securities are actively traded investments, we have no intention to liquidate the stock in the foreseeable future. In turn, the recognition of any gains and losses associated with these investments would introduce earnings volatility which is misleading to the readers of our financial statements and not consistent with our business intent. We hold these securities as assets in support of our ongoing business. We do not actively trade them.

We agree with the Board's belief that application of the strict criteria to apply the short-cut method has led to numerous issues in practice, however, we disagree with the resolution of this matter by elimination of this simplified method. In addition,

we believe elimination of this method contradicts the Board's objective to replace "highly complex, quantitative based hedging requirements with more qualitative-based assessments."

By affording companies the short-cut option, it enables sound economic transactions to manage interest rate risk to be accounted for in a reasonable manner consistent with the transaction intent and economics, without creating excessive work for the company. The elimination of the short-cut method will remove a majority of those benefits at a significant cost to companies in the form of money, time, and resources. It would also introduce unnecessary financial statement volatility which would be contrary to the economic impact of the hedging strategies and would be misleading to the users of our financial statements. Consequently, we do not believe the short-cut method should be eliminated from current practice. An alternative would be to provide further principles based guidance on the correct application of the short-cut method.

We also disagree with the Board's proposal to remove an entity's ability to dedesignate an effective hedging relationship. By the nature of the current guidance, hedge accounting is elective. If a company has the ability to elect the designation of an instrument as an economic hedge, a company should also be able to elect to dedesignate the hedging relationship. Therefore, we do not believe that the ability to dedesignate effective hedging relationships should be prohibited.

The ASU is also unclear whether the inability to dedesignate an effective hedging relationship would impact hedges of the foreign currency exposure of a net investment in a foreign operation. Under the proposed ASU, it is not clear if companies would be able to dedesignate all or a portion of instruments designated as a hedge of a net investment unless the hedging relationship is no longer effective or the hedging instrument expires or is sold, terminated or exercised. In turn, we ask that the Board clarify whether the dedesignation changes will impact net investment hedges.

In addition, we ask the Board to provide additional guidance on the proposed changes requiring an effective hedging relationship to be reasonably effective, rather than highly effective. Without proper guidelines that state what constitutes a reasonably effective hedging relationship, companies will be unable to apply this consistently.

We believe that convergence between United States generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS) is an important objective. We are concerned that while this ASU includes amendments for derivative accounting, the IASB has not yet issued a proposal regarding derivatives. Requiring companies to implement this ASU without knowing what the IASB proposal includes would be counter-productive to the goal of convergence between US GAAP and IFRS.

We do not agree with the requirements of this proposed ASU as they relate to the classification and measurement approach for available for sale securities and hedge accounting for the reasons noted above. These proposed changes would result in financial statement impacts which would be misleading to users and would diverge

from the business intent of our available for sale investments and risk management strategies. We believe the current guidance is appropriate and reflects the true economic intent of our involvement in these instruments.

We appreciate the opportunity to provide comments on the proposed accounting standards update relating to hedge accounting and would be pleased to discuss our views further with you.

Respectfully,

A handwritten signature in black ink, appearing to read "P. Huck", written in a cursive style.

Paul E. Huck  
Sr. Vice President and  
Chief Financial Officer