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Sent via email to director@fasb.org

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Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
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RE: File Reference No. 1810-100

Genworth Financial appreciates 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").

Genworth Financial, Inc. is a leading financial security company dedicated to providing insurance, wealth management, investment and financial solutions to more than 15 million customers, with a presence in more than 25 countries. As a financial security company, we have significant amounts of financial assets and liabilities that would be significantly impacted by the Proposed ASU.

We agree with Board's objective to provide financial statement users with a more timely and representative depiction of an entity's involvement in financial instruments. However, we do not believe in its current form the Proposed ASU meets this objective. Our specific comments on the Proposed ASU are discussed below. Additionally, we are concerned that the timing of the effective date for the Proposed ASU, while not defined, may not coincide with the insurance contracts project.

Classification and Measurement

We support the concept discussed in the Proposed ASU where gains and losses that are expected to reverse as a result of an entity's business strategy should not result in changes in fair value being reflected in net income. This concept would provide financial statement users with information that is consistent with management's strategy or objectives. However, the business strategy criteria discussed in the Proposed ASU is more restrictive than similar guidance that exists in IFRS 9 and would likely result in fewer instruments being able to meet the criteria in the Proposed ASU. More specifically, the guidance within paragraph 22 of the Proposed ASU states "the entity's business strategy shall be to hold instruments for a significant portion of their contractual life" and implicitly requires an entity to demonstrate this criteria is met, rather than having a more principals based criteria that is focused on the entity's objective (as discussed under the business model criteria in IFRS 9). As a result, we believe the Proposed ASU will result in more artificial volatility being reported in net income, despite if an entity's objective is to generally hold assets to support its obligations. We recommend the Proposed ASU be modified to make the business strategy more

principals-based with a focus on an entity's objective, which would be similar to the business model included in IFRS 9.

With respect to the measurement categories, we generally support similar measurement categories to the main categories¹ included in the Proposed ASU. Generally, we support a model that would allow for the measurement of financial assets as either FVOCI or amortized cost when the entity's objective is to hold the asset, which should include both debt and equity instruments. We disagree with the Proposed ASU that requires measurement of all financial assets at fair value and does not allow the option to present financial assets at amortized cost when an entity's objective is to hold the asset.

For financial liabilities, we believe the default measurement classification and measurement should be amortized cost with an ability to elect FVNI if the liability is more actively settled or if the measurement at amortized cost would create a mismatch with the related assets.

Additionally, the Proposed ASU should allow reclassification between measurement categories as a result of changes in an entity's business strategy because subsequent changes in accounting standards may change an entity's decision on how their financial instruments should be classified and measured as well as an entity's business model or strategy may change in the future due to other events or circumstances.

If the Board were only to consider the Proposed ASU compared to the proposed/pending guidance for financial instrument in IFRS, we would be more supportive of the IASB pending and proposed classification and measurement for financial instruments.

We would urge the Board to consider aligning the effective dates of the Proposed ASU and the final standard from the Insurance Contracts project. Aligning the effective dates of these standards will minimize the potential that certain financial instruments, such as deposit accounting reinsurance contracts, may be impacted the Proposed ASU and would then be impacted again by the final insurance contracts standard, which may result in two significant accounting changes during a relatively short period of time.

Impairment

We generally support the Proposed ASU's impairment model, which focuses on expected cash flows to determine impairment. However, a more accurate measurement of impairment should be based on changes in expected cash flows and not simply measuring the amount of cash flows not expected to be collected by applying historical loss rates. Changes in expected cash flows provides more decision useful information and focuses on changes in management's original expectations and would be more similar to the impairment model currently being used for debt securities, which was adopted less than 18 months ago as an appropriate and operational impairment model.

We disagree with concepts in the Proposed ASU related to the requirement to evaluate similar assets as a pool for impairment when an evaluation of the individual asset results in no impairment

¹ Fair value with changes in fair value recorded in net income ("FVNI"); Fair value with changes in fair value being recorded in other comprehensive income ("FVOCI"); and amortized cost.

being recognized. If an asset is evaluated individually, we do not believe an evaluation of that asset as a part of a pool of similar assets should be required. However, an entity should have the ability to evaluate an asset individually or as a part of similar assets in a pool to determine impairment where the measurement of any impairment is based on changes in expected cash flows. We support the use of a practical expedient to determine impairment and believe a more general practical expedient could be utilized for all financial assets whereby no impairment would be recorded when fair value exceeds carrying value.

We agree with the Proposed ASU related to reversals of impairment and believe an impairment should be reversed during the period in which expected cash flows increase and that such reversal should be recorded in net income to the extent previous impairment charges were recorded. However, we would propose that individually impaired assets should utilize a direct adjustment to amortized cost for impairments (or reversals of previous impairments) rather than using an allowance account as described in the Proposed ASU. We suggest using an allowance account for assets evaluated as a pool to better differentiate these impairment adjustments from those that were specifically identified related to individual assets.

We also suggest the interest income recognition model for financial instruments be based on the asset's original effective interest rate and amortized cost (or adjusted amortized cost for individually impaired assets). This method would provide more accurate reflection of interest income for assets that are not individually impaired since there is insufficient information for the individual asset to indicate a portion of the expected cash flows have changed from the original expectations and therefore it would be inappropriate to change in the interest income recognition.

Hedge Accounting

We agree with the changes to hedge accounting in the Proposed ASU to allow for hedge accounting to be applied to reasonably effective hedge relationships. However, we urge the Board to consider adding specific transition guidance for existing hedge relationships to address whether hedge accounting documentation can be updated to reflect this change in the accounting requirements without triggering a de-designation and re-designation event. Specific transition guidance would ensure consistency in how the transition rules should be applied and ideally would allow entity's to obtain the benefits from the changes in the Proposed ASU for existing hedge relationships without creating a de-designation/re-designation event that would create additional operational issues for preparers.

We appreciate the opportunity to comment on the Proposed ASU. If there are any questions regarding the content of this letter or you wish to discuss our comments and recommendations, please contact Matt Farney at (804) 662-2447, Justin Etheridge at (804) 922-5084, or me at (804) 662-2685.

Sincerely,



Amy R. Corbin
Vice President and Controller