Association for Financial Professionals®

October 1, 2007

Mr. Robert Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M6XH
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Re: FAS-133 and IAS-39 Accounting for Derivative Instruments and Hedging Activities

The Association for Financial Professionals (AFP) respectfully requests that the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) strongly consider a project to significantly redraft FAS-133 and IAS-39 on Accounting for Derivative Instruments and Hedging Activities under a joint project to create a single simplified standard in plain language.

AFP represents 16,000 finance and treasury professionals employed by over 5,000 corporations and other organizations. Our membership includes a significant number of corporate treasurers who are responsible for the protection and management of corporate cash and cash flow requirements, including hedging activities for their companies, as well as oversee the management and investment of cash, short-term and long-term investments.

Despite the efforts of the DIG to provide more clarity, accounting under the existing FAS-133 standards remains problematic for many of our members due to difficulty in interpreting the standard, as well as due to the complex documentation and testing requirements. Financial disclosure should both enhance transparency and be cost effective. It is our opinion that both FAS 133 and IAS 39 standards do neither. AFP did express its concern over the complexity of FAS-133 in letters dated Oct 13, 1997, May 11, 1999 and October 29, 2002, as FAS-133 was being developed and originally issued.

AFP's concern with current FAS-133 and IAS-39 standards are that as written, they impose excessive cost and complexity on companies and are a barrier to responsible corporate financial management of risk. The complexity of FAS 133 and IAS 39 is forcing many companies to completely avoid using effective risk mitigation techniques. The existing standards are therefore forcing companies into employing suboptimal financial and risk management strategies, with the ultimate cost of sub-optimal risk strategies being absorbed by investors.

Small Companies are Particularly Disadvantaged

The current accounting standards result in disproportionate risk and materiality concerns for smaller companies. While larger companies may be financially able to dedicate the significant resources and expertise required for the documentation and testing requirements of FAS-133 and IAS-39, it is more difficult for smaller companies to do so with their more limited resources. They are left with no option but to remain subject to unprotected hedging risk. This exposure has grown as smaller companies have expanded into global markets and face currency risk.

AFP Request to FASB and IASB

Given the stated objective for convergence of global accounting standards, AFP respectfully requests that the FASB and IASB formally entertain a joint project to redraft FAS 133 and IAS 39 to improve and simplify the reporting and compliance requirements of hedge accounting. Possible examples would be to redefine effective hedging based on materiality or consider reducing the amount of documentation and testing necessary based on materiality. Introducing the concept of a safe harbor for hedges put in place that subsequently become ineffective caused by changes in the underlying exposure would also be a concept that would provide relief.

Thank you for your consideration of this request. AFP looks forward to working with FASB and IASB to providing meaningful information concerning a company's hedging transactions to investors, lenders, analysts and other interested parties. Please contact John R. Rieger, Director of Accounting and Financial Reporting for any additional information or questions (301) 961-8885 jrieger@afponline.org.

June M. Johnson
Chair of the AFP Financial Accounting and Investor Relations Task Force

Maureen O'Boyle
Chair of the AFP Government Relations Committee

Cc: Robert Pozen, Committee Chair for SEC Advisory Committee on Improvements to Financial Reporting.