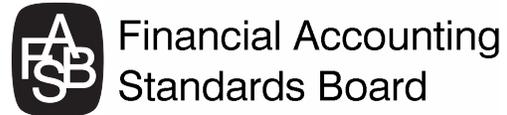


MINUTES



To: Board Members
From: Delmonico ext. 393
Subject: Minutes of the March 21, 2007 Board Meeting **Date:** April 5, 2007
cc: Smith, Bielstein, MacDonald, Leisenring, Golden, Chookaszian, Polley, Gabriele, Carney, Stoklosa, Wilkins, Fanzini, Jacobs, Glotzer, Richter, Allen, Mayrhofer, FASB Intranet

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue a final Statement or Interpretation.

Topics: Discussion of comments received on Statement 133 Implementation Issue No. H17, "Hedging Proceeds to Be Received from a Forecasted Foreign-Currency-Denominated Debt Issuance"

Basis for Discussion: Board Memorandum No. 2

Length of Discussion: 8: 00 a.m. to 8:20 a.m.

Attendance:

Board members present: Herz, Batavick, Crooch, Linsmeier, Seidman, Trott, and Young

Staff in charge of topic: Fanzini

Other staff at Board table: Smith, Stoklosa, Wilkins and Delmonico

Summary of Decisions Reached:

The Board continued its redeliberations of the proposed Statement 133 Implementation Issue No. H17, “Hedging Proceeds to Be Received from a Forecasted Foreign-Currency-Denominated Debt Issuance.” Prior to discussing items for redeliberation, the Board voted not to issue a final Implementation Issue and to remove the project from its agenda. The Board indicated that it would prefer to address the application of cash flow hedging and other issues in this project within the scope of a possible broader derivatives project, which will be considered at a future agenda decision Board meeting.

Objectives of Meeting:

The objective of the meeting was for the Board to reach decisions on the following topics:

1. Redeliberate significant comments received along with staff recommendations.
2. Request that the Board issue a final Implementation Issue.

The objective was not met.

Matters Discussed and Decisions Reached:

1. Mr. Delmonico began the meeting by stating that the purpose the meeting was for the Board to redeliberate issues based on comments received from constituents on Statement 133 Implementation Issue No. H17, “Hedging Functional-Currency-Equivalent Proceeds to Be Received from a Forecasted Foreign-Currency-Denominated Debt Issuance.” Mr. Delmonico continued noting that after the redeliberations, the staff will ask the Board to consider whether to approve for posting to the FASB website a final Implementation Issue.
2. Mr. Delmonico then indicated that at the November 21, 2006 Board meeting, the Board tentatively concluded that the variability in functional-currency-equivalent proceeds expected to be received from the forecasted issuance of debt denominated in a currency other than the reporting entity’s functional currency is ineligible for designation as the hedged transaction in a cash flow hedge. He further indicated that the comment period on Implementation Issue H17 ended on February 9, 2007.

3. Mr. Delmonico then noted that the staff had received eight comment letters, as well as had a conversation with SEC staff members. He then indicated that today's discussion will be centered on the most common issues raised by respondents. Those issues are as follows:
 1. Whether paragraph 36 conflicts with the draft Implementation Issue
 2. Is the "effect on earnings" as required by paragraph 29(c) met
 3. Forecasted transaction having a "direct" link to earnings
 4. Clarification of whether other hedging strategies could meet the cash flow hedging requirement
 5. Transaction costs
 6. Transition
4. Mr. Delmonico then asked if anyone had any questions or issues that they wanted to address before discussing the specific issues.
5. Mr. Smith indicated that at the last FASAC meeting, there was extensive discussion about implementation issues in general and on FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Mr. Smith further indicated that there was also discussion about the research the staff was currently performing for a potential broader derivative project that was scheduled to come before the Board in April or May. Mr. Smith then asked the Board if it wanted to (1) readdress some of the fundamental issues surrounding Statement 133 and to try to simplify its implementation as part of the potential broader derivative project, or (2) if the Board wanted to proceed with an individual implementation issue approach prior to making a decision on the potential broader derivative project.
6. Mr. Batavick commented that he was tempted not to address any more implementation issues at the current time. However, he indicated that he believed some of these issues to be diversity in practice issues that need to be addressed now, rather than postponing them until the Board addresses the potential broader derivative project. Mr. Batavick then noted that if the Board were to take on a project to overhaul Statement 133, the project would be a longer term project with implementation not occurring until 2009. Mr. Batavick indicated that he believed

there were benefits to be gained by addressing the issues that have led to diversity in practice and issuing guidance. Mr. Batavick recognized that if the Board decided to address these issues now, it might be possible that the potential broader derivative project could contradict the Board's earlier decisions about these issues. Mr. Batavick indicated, however, that he was willing to take this chance.

7. Ms. Seidman indicated that she did not disagree with Mr. Batavick's comments. However, she was unsure as to whether all of the individual implementation issues that the Board is currently dealing with would rise to a level where they would be pervasive enough to issue guidance in the interim. Ms. Seidman did note that she believed the paragraph 68 (shortcut method) issues were pervasive enough to be addressed in the interim. She noted that this particular issue—hedging the variability in proceeds to be received from a forecasted foreign-currency-denominated debt issuance—and the issue on convertible bonds with elements of foreign exchange risk were not pervasive issues. Ms. Seidman indicated that she thought it was necessary to evaluate the current Board projects individually to identify those projects with pervasive issues rather than dropping all Statement 133 Implementation Issues from the Board's agenda.
8. Mr. Herz indicated that he favored not continuing any of the Statement 133 Implementation Issues unless that issue was deemed an emergency and required immediate guidance. He further noted that with these types of complicated issues, it was easy for guidance on one issue to spawn guidance on other issues, thus increasing complexity.
9. Ms. Seidman responded by questioning whether it would make sense to clarify the guidance in the interim for determining when the misapplication of Statement 133 results in a material error requiring restatement. Ms. Seidman indicated that she believed this would help reduce the uncertainty on how to proceed with the application of the current guidance.
10. Mr. Trott indicated that he believed that each issue needed to be evaluated separately. Mr. Trott suggested that other issues also may need to be discussed, namely, the

perception of how often the question occurs and how often regulators insisted on an answer that the Board believed was not appropriate. Mr. Trott indicated that he found it hard not to take action when either widespread practice or regulators had come to a position that was inconsistent with what the Board had previously intended. He commented that the possibility of taking on a broader project should not change the decision-making process for issues the Board has previously decided to address.

11. Mr. Smith then indicated that it was his perception from talking to the staff and constituents alike that the specific fact pattern, as described in the example in Implementation Issue H17, was not a pervasive issue. He also noted that the staff's understanding was that there was little diversity in practice on this specific example (although, similar cash flow hedging strategies, not specifically discussed in Issue H17, may be used in practice). Mr. Smith then asked if the Board wanted to continue to address this issue, if the issue, as described by Ms. Seidman, was not pervasive. Mr. Smith noted that the genesis for this project were the comments received from constituents who indicated that the variability in functional-currency-equivalent proceeds from a forecasted foreign-denominated debt issuance was eligible for cash flow hedge accounting treatment. Mr. Smith then noted that Mr. Trott's comment regarding regulator statements were more appropriate as it related to the paragraph 68 (shortcut method) and convertible bonds with elements of foreign exchange risk Implementation Issue projects rather than the Implementation Issue H17 project.
12. Mr. Crooch noted that only very significant issues should be addressed by the Board. He continued by commenting that the work surrounding Statement 133 had never really diminished and that constituents are constantly asking for more and more guidance. He commented that he prefers that the Board not continue any of the Statement 133 Implementation Issues, unless that issue was deemed to be a critical issue in practice and therefore required immediate guidance.
13. Mr. Herz then commented that he believed the way to address these types of issues in the future was to allow constituents to apply professional judgment and to take a reasonable approach to the implementation of the standard. Mr. Herz continued

noting that the Board was just not capable of addressing and or fixing every specific issue that arose during implementation.

14. Mr. Smith then suggested, based on the input that the staff has received and based on the input that the Board has provided relative to this issue, that this issue be dropped from the Board's agenda.

15. Mr. Smith then asked how many Board members would be in favor of dropping this issue from the Board's agenda and removing proposed Implementation Issue H17 from the website. All Board members, with the exception of Mr. Young, agreed to remove the issue from the Board's agenda and the website.

16. Mr. Young commented that he was not in favor of dropping the project, as he wanted clarification on the earnings offset in the cash flow hedging model. He continued, indicating that he believed there to be significant disagreement among the Board on how to apply the cash flow hedging model and that the Board should be try to identify the correct principle. Mr. Young noted that identifying the correct principle was important for the purposes of applying and understanding Statement 133.

17. Mr. Stoklosa commented that Implementation Issue H17 is not the forum for addressing the broader issue of the application of cash flow hedge accounting and that it would be more appropriately addressed in the potential broader derivative project.

Follow-Up Items:

None.

General Announcements:

None.