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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

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Mr. Dennis R. Beresford
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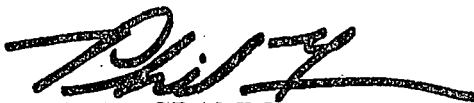
Dear Mr. Beresford:

Earlier this month, the Subcommittee on Securities held a hearing on the Financial Accounting Standards Board's exposure draft for a proposed statement of accounting principles regarding financial derivatives and hedging activities.

Witnesses representing a wide range of interests which would be affected by the proposed statement presented their views, and it would be fair to say that very serious objections were raised both to the concept and to the details of the exposure draft. Moreover, the exposure draft also was criticized by the Senators who attended the hearing. In fact, there was little evidence of support for the proposal.

In my view, the FASB would be making a mistake with serious consequences for the financial markets, for the economy, and for the millions of employees of companies who use derivative instruments to manage risk, if the Board goes forward with its exposure draft without taking into account the concerns raised before the Securities Subcommittee. I am enclosing with this letter the testimony provided at the hearing in the hope that it will be of assistance to the FASB as you determine how to proceed with the exposure draft.

Yours respectfully,



PHIL GRAMM
Chairman
Subcommittee on Securities

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