



News Release

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Bond Market Association and ISDA Comment on GASB Preliminary Views on Accounting and Disclosure of Derivatives and Hedging Activities by Governmental Entities

New York, NY – In a comment letter filed with the Government Accounting Standards Board (GASB) on its preliminary views document on the major issues related to accounting for and disclosure of derivatives and hedging activities by governmental entities, the Bond Market Association and the International Swaps and Derivative Association highlight the importance of issuing standards that improve the usefulness of financial reports based on the needs of the report users, as well as the need to balance costs and benefits of new standards.

“We commend the GASB’s efforts to improve the accounting for and disclosure of derivatives and hedging activities by governmental entities,” said Leslie Norwood, vice president and assistant general counsel at the Bond Market Association. “We have worked with GASB and other market participants on accounting for municipal derivatives for several years and it is our goal to provide constructive comments that will make the proposal workable in the marketplace, especially in light of the differences between the municipal and corporate markets and the impact of the implementation of the analogous corporate rule, Financial Accounting Standards Board Statement No. 133.”

Specifically, the letter expresses the Bond Market Association’s view that, when accounting for derivatives, a disclosure model is a more appropriate model to use

than a recognition model given the unique aspect of governmental entities, including the fact that they do not report earnings.

The letter also provides comments and suggestions from both Associations on implementing fair value reporting of derivatives, including measures of hedge effectiveness, termination and change of intent, accounting for hybrid instruments, written options in a synthetic refunding, and transition requirements.

The Bond Market Association, with offices in New York, Washington, D.C. and London, represents securities firms, banks and asset managers that underwrite, invest, trade and sell debt securities and other financial products globally.

ISDA, which represents participants in the privately negotiated derivatives industry, is the largest global financial trade association, by number of member firms. ISDA was chartered in 1985, and today has over 725 member institutions from 50 countries on six continents. These members include most of the world's major institutions that deal in privately negotiated derivatives, as well as many of the businesses, governmental entities and other end users that rely on over-the-counter derivatives to manage efficiently the financial market risks inherent in their core economic activities. Information about ISDA and its activities is available on the Association's web site: www.isda.org.