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NEWS RELEASE 02/16/06

THE FINANCIAL ACCOUNTING STANDARDS BOARD ISSUES FINAL STANDARD TO ACCOUNT FOR CERTAIN HYBRID FINANCIAL INSTRUMENTS

New Standard Provides a Means to Simplify Accounting

Norwalk, CT, February 16, 2006—The FASB today issued a final standard that improves the financial reporting of certain hybrid financial instruments by requiring more consistent accounting that eliminates exemptions and provides a means to simplify the accounting for these instruments.

The new standard, "*Statement of Financial Accounting Standard No. 155, Accounting for Certain Hybrid Instruments*," is an amendment of FASB Statements No. 133 and 140. It reflects constituent comments provided to the FASB over a 60-day period in 2005.

Specifically, today's standard allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis.

The standard also:

- a. Clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133
- b. Establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation
- c. Clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives
- d. Amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

"Today's statement reflects our commitment to improve financial reporting by reducing complexity through the elimination of unnecessary exemptions and by providing ways to make the overall accounting simpler," said Edward Trott, FASB Member.

This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006.

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