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committed on corporate reporting

September 28, 2004

Lawrence Smith
Director, Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116

Dear Larry:

The Committee on Corporate Reporting ("CCR") of Financial Executives International ("FEI") appreciates the opportunity to comment on the proposed FASB Staff Position EITF 03-1-b (the proposed FSP). FEI is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior financial executives. CCR is a technical committee of FEI, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. This document represents the views of CCR and not necessarily those of FEI.

CCR believes that the intention of the Task Force in developing the guidance in EITF Issue 03-1 was to clarify application of disparate authoritative standards regarding when to recognize other than temporary impairments of debt and equity securities. We believe the EITF did not intend to create an entirely new accounting model for underwater investment securities. However, recent interpretations of that guidance by certain audit firms have potential to do that. In addition, the guidance proposed in the two FSPs issued in response to the concerns raised have the effect of scaling back but not eliminating the unintended consequences of the EITF consensus. In the final analysis, if the resolution of Issue 03-1 through the issuance of these FSPs will result in the application of lower of cost or market accounting for most portfolios classified as "Available for Sale", then we believe that the Board should rescind the consensus and undertake further consideration of this issue as a major project.

CCR strongly supports deferral of the consensus until the FASB completes its redeliberations in order to allow sufficient time for public comment on the issues raised by the FSPs. However, we believe the deferral should be extended to all investments covered by the consensus. It would seem that a broad-based deferral for all investments

would be necessary in order for the Board to consider the comments that it will receive on FSP 03-1-a, which will not be received until a later deadline. We believe that it would be inappropriate for the Board to ask constituents whether the guidance on minor impairments should apply to all investments in FSP EITF 03-1-a if the Board intends to decide on the issue of deferral prior to considering those comments. In our view, the two go hand in hand. Therefore we believe that, consistent with its due process procedures, the Board should allow ample time to consider all of the responses to the issues requested in FSP EITF 03-1-a.

If the Board chooses not to provide a broad-based deferral for all investments covered by Issue 03-1, the Board will perpetuate uncertainty that has arisen regarding the application of the tainting language in both paragraphs 12 and 16 of Issue 03-1 for investments that are not covered by the deferral. In addition, this could give rise to transition issues that the Board may have to address. As the Board has raised Issue 2 in its Request for Comments, it seems plausible that it may ultimately decide to expand the application of the FSP's guidance on "minor impairments" to all investments analyzed under Issue 03-1. Absent a broad deferral, preparers may be required to apply the differing guidance of Issue 03-1 to their investment portfolios (i.e., prior to the conclusion of the Board's deliberations and after issuance of the final FSP). Given this possibility, we believe it would be prudent for the Board to defer the effective date of the recognition and measurement guidance of Issue 03-1 until it has addressed Issue 2.

We plan to provide a detailed response to the issues posed in FSP EITF 03-1-a in a separate letter prior to the October 29, 2004 deadline. In addition, many of our members have experience in working with existing guidance on other than temporary impairment and we would be pleased to make these resources available to the Board to assist in finalizing the guidance in that FSP. Please contact me at (989) 636-1541 with any questions.

Sincerely,



Frank H. Brod
Chair, Committee on Corporate Reporting
Financial Executives International