

From:
Sent:
To:
Subject:

Letter of Comment No: 5
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-----Original Message-----

From: Stephen Ryan [mailto:sryan@stern.nyu.edu]
Sent: Wednesday, May 25, 2005 5:42 PM
To: Director - FASB
Subject: File Reference No. 1300-001

Dear FASB director,

I have the following concern with the proposed reworking of the GAAP hierarchy in the exposure draft, in particular with making DIG Issues and FASB Staff Positions into level a GAAP when they alter or create exceptions to rather than simply elucidate previously higher-level GAAP. My concern is that it will be even more unclear than has previously been the case how broadly to apply such altered or excepted accounting. I do not think the exposure draft necessarily should be revised, but if it is adopted as is I think the FASB and its staff will need to be very careful (i.e., much more careful than has previously been the case with such lower-level GAAP) in specifying the circumstances when this altered or excepted accounting does and does not apply. Alternatively, and in my view preferably, the FASB staff should not write GAAP that alters or creates exceptions to FASB Statements and Interpretations.

For example, DIG K1 and F6 consider very narrow fact patterns for which two or more derivatives should be accounted for as a unit for certain purposes.

Nothing in FAS 133 speaks directly to this issue (in fact, the approach of FAS 133 and other level a GAAP generally is to account for separate instruments separately), so these DIG issues cannot be viewed as simply elucidating FAS 133. When these DIG issues were (based on the characteristics in SAS 69) level d GAAP, it was reasonable to assume (although it did require assuming) that their approach should be applied only when the fact patterns in the issues corresponded fairly closely to those in the case under consideration. Now that they are level a GAAP, it will be reasonable to assume (unless clearly instructed by the FASB otherwise) that their approach should be applied more broadly.

Feel free to contact me if any of this is unclear.

Sincerely,

Stephen Ryan