

EVERARDO GOYANES

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Mr. Joseph S. LaGambina
Executive Vice President
Financial Accounting Foundation
401 Merritt 7
Norwalk, CT 06856-5116

Dear Mr. LaGambina:

I am writing in response to your request for comments on "principles-based" accounting. I believe we should move dramatically, if not totally, away from a rules approach to a principles approach.

What are my credentials? I am presently the senior member of a team investing money in energy for an insurance company. Prior to that I ran the banking department for a major foreign bank in the USA performing investment banking for the middle market in natural resources. Prior to that I was the VP Finance for an independent oil and gas company. I started out at Chase Bank where I worked for sixteen years in domestic and international banking and project finance.

The crux of my argument is very simple. As long as we are rules-based we invite gaming the system. You make a rule...the job becomes how to get around it. It becomes their lawyer/banker is (or isn't) smarter, more devious, more creative than yours. And, Sir, with hundreds of millions of dollars of bonuses involved, they will find a way.

However, the vast majority of us actually do know the right and proper way to conduct business. And the vast majority of that majority is and wants to continue doing so. Principle-based accounting will create a need for judgment. It will create gray areas, but it will also destroy the ability to hide behind legal and accounting opinions. There will be fewer on/off switches, but there will be tremendously greater personal accountability. To paraphrase Justice Potter Stewart... "but I know manipulation when I see it."

In your request for comments, "objective" you state: "the primary qualities of decision-useful information are relevance and reliability." These are good qualities. To them add: honesty, integrity and sound judgment. There is much to be gained by holding our community responsible for ethics and morality.

Thank you for your attention.

