KPMG LLP
757 Third Avenue
New York, NY 10017

Telephone 212-909-5600
Fax 212-909-5699

March 23, 2007

LETTER OF COMMENT NO. 3

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

RE: Proposed FASB Staff Position No. FIN 48-a, "Definition of *Settlement* in FASB Interpretation No. 48"

Dear Technical Director:

We appreciate the opportunity to comment on proposed FASB Staff Position No. FIN 48-a, "Definition of *Settlement* in FASB Interpretation No. 48." While we believe the concept of "ultimate settlement" currently included in Interpretation 48 is more consistent with the existing accounting model for the extinguishment of liabilities and provides a framework that can be consistently applied, we acknowledge its limitations when applied to unrecognized tax benefits given the unique nature of the tax examination, negotiation, and resolution processes.

If the Board ultimately concludes to amend Interpretation 48 by changing "ultimately settled" to "effectively settled," the issue then becomes a question as to how close to "ultimate settlement" does an entity need to be to reach "effective settlement." We believe the approach described in the proposed FSP that results in different positions within the same year and covered by the same examination reaching "effective settlement" at different times introduces unnecessary complexity in the analysis and is inconsistent with the Interpretation's provisions concerning consideration of detection risk. As illustrated in Example 1 of the proposed FSP, the proposed approach includes consideration of detection risk prior to completion of the examination and, as a result, the tax benefits of positions that may not have been reviewed may be recognized prior to recognition of the tax benefits of positions that were reviewed and prior to completion of the examination.

Accordingly, we believe a more consistent and practical approach would be to recognize previously unrecognized tax benefits upon completion of the examination provided that it is remote that the taxing authority would subsequently examine or reexamine any position within the completed examination. Completion of the examination should be defined as the point when the taxing authority has completed its examination procedures, including all required and expected procedures, appeals, and administrative reviews, and communicated the completion of the examination to the taxpayer. Positions that the

enterprise believes were not examined by the taxing authority would not be considered "effectively settled" until all examination procedures are completed with respect to all positions subject to the examination. In addition, an examination would not be considered complete if the enterprise intends to appeal or litigate any aspect of the examination if such appeal or litigation would potentially allow the taxing authority to reconsider positions within the examination. We believe that our suggested approach is more consistent with the Interpretation's provisions regarding detection risk because detection risk would not be considered prior to completion of the examination. Using that approach, both Position A and Position C in Example 1 of the proposed FSP would not be recognized until the oversight committee has completed its evaluation. The evaluations of Examples 2 and 3 of the proposed FSP would not change.

We support the observations in paragraph 7 of the proposed FSP that an enterprise may obtain additional information during an examination process that enables the enterprise to change its assessment of the technical merits of a tax position. In many cases, that information may enable an enterprise to conclude that the more-likely-than-not recognition threshold has been met if the information suggests that the taxing authority will accept the enterprise's position.

We also have the following suggestions to clarify certain aspects of the proposed FSP.

Definition of a Completed Examination
We believe an examination should only be considered complete when the taxing authority has completed all of its required *and* expected examination procedures, including all appeals and administrative reviews. We believe describing the requirement in paragraph 5(a) of the proposed Staff Position in terms of required *or* expected procedures creates the potential for diverse interpretation of when an examination is complete.

Highly Unlikely versus Remote
We believe the term "highly unlikely" as used in paragraph 5(c) should be replaced with the term "remote" because this term is defined in Statement 5 and is widely understood by constituents. Statement 5 describes "remote" as "the chance of the future event or events occurring is slight".

Basis for Conclusions
We believe the Staff Position should contain a Basis for Conclusions that describes why the Board concluded that amendment of Interpretation 48 was necessary and elaborates upon the intended impact of the amendments. For instance, although the proposed Staff

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

Position removes the word "ultimate" throughout Interpretation 48, including within paragraph 8 on measurement, we do not believe it will substantially affect how a recognized tax position is measured because measurement considers possible settlement outcomes based on an assumption that the taxing authority has full knowledge of the position. The Basis for Conclusions could clarify that although other paragraphs in the Interpretation have been conformed to the new settlement terminology, the substance of other provisions of the Interpretation has not been altered.

* * * * *

If you have any questions about our comments or wish to discuss any of the matters addressed herein, please contact Mark Bielstein at (212) 909- 5419 or Darryl Briley at (212) 909-5680.

Sincerely,

KPMG LLP

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.