



LETTER OF COMMENT NO. 122

Sent via email to director@fasb.org

March 27, 2009

Technical Director – File Reference: Proposed FSP FAS 157-e
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: File Reference: Proposed FSP FAS 157-e

Genworth Financial appreciates the opportunity to comment on the proposed FASB Staff Position (FSP) FAS 157-e, *Determining Whether a Market Is Not Active and a Transaction Is Not Distressed*.

Genworth Financial is a leading financial security company dedicated to providing insurance, wealth management, investment and financial solutions to more than 15 million customers. As a financial security company, we invest in securities that are classified as available-for-sale in accordance with FASB Statement No. 115 (“FAS 115”) and, accordingly, are recorded at fair value.

Market conditions for certain securities have increasingly become inactive and have resulted in adverse impacts on the respective fair values, which more closely resemble distressed values. Existing guidance defines fair value as the price that would be received in an orderly transaction between market participants. However, within the existing guidance, it is difficult for entities to support a conclusion that a quoted price would be considered distressed or not representative of an orderly transaction. This is true despite widespread understanding that the market for many securities, and groups of securities, is inactive.

We agree with the Board’s decision to provide additional guidance on determining if a market is not active. Further, it is appropriate to conclude that, absent evidence to the contrary, all quoted prices in inactive markets are associated with distressed transactions. These clarifications support the notion that it is appropriate to consider adjustments to quoted prices or use other valuation techniques to determine fair value when an inactive market exists. In addition, these clarifications are consistent with the principles of FAS 157 based on determining an exit price between market participants in an ‘orderly transaction,’ which may not be the case when an inactive market exists. These proposed rules would also assist in supporting assertions made by financial statement preparers and aide in the examination of these assertions by auditors— as well as, coupled with reasonable disclosures, facilitate financial statement transparency.

In response to the questions of the proposed FSP, we offer the following comments:

Question 1: Notwithstanding our support, SEC Registrants will find the proposed effective date for periods ending after March 15, 2009 operationally challenging to implement. While the operational challenges may be significant, the clarifications provided by the FSP are too critical to financial statement users to delay implementation. Therefore, we ask the Board to provide flexibility in the approaches taken to determine both when a quoted price should be adjusted and the methods for adjusting the quoted price. Reasonable disclosures about circumstances and methods used by the preparers in adjusting these quoted prices provides more meaningful information to users than a strict set of criteria about when and how such quoted prices should be adjusted.

We urge the Board to communicate with speed and clarity the key provisions of the final FSP as soon as possible following the April 2, 2009 Board meeting. Providing a clear indication of these new rules will allow entities to consider implementation and operational issues prior to issuance of the final guidance and reduce the time and costs of implementation.

Question 2: As proposed, the FSP meets the project's objective by providing guidance on determining whether a market is not active and when a quoted price should not be considered distressed. The proposed guidance represents an improvement in the application of FAS 157 that will allow entities to support fair value assertions, allow users of financial statements to understand considerations used by the preparers and limit the cost of compliance by reducing the burden to preparers and auditors in obtaining evidence to support the use of adjustments to distressed prices.

Questions 3 & 4: The proposed 2-step approach for determining when a market is not active and when a quoted price is not considered distressed is understandable and operational. The factors listed in paragraph 11 of the FSP provide theoretical guidelines that an entity may use to determine that the market is not active. Bearing in mind that considerable judgment must be employed and the goal to limit costs of applying the requirements, we are concerned about the indication in paragraph 12 that an entity must consider "all factors" rather than "all relevant factors that are readily observable without undue cost and effort." While we believe the intent of paragraph 12 is to emphasize that entities must exercise judgment in determining when a market is not active, a literal interpretation of the wording could result in an unintended application of the guidance. We urge the Board to consider clarifying the wording in paragraph 12 to help eliminate this type of literal interpretation that could override reasonable judgment about how an entity should consider the factors listed in paragraph 11.

While we desire the ability to exercise judgment about factors that indicate a market is not active, we believe that, when compared to historical risk premiums, the factor identified in paragraph 11(e) could be interpreted to include virtually any asset under current market conditions. It would be helpful to provide considerations an entity may use in evaluating the implied yield of a security as well as an example of an entity's consideration for determining when an implied yield would be considered abnormal. This is especially true given that this factor is probably the most observable and readily-available factor listed. Accordingly, it

would be helpful to provide more insights in the form of an example to indicate the considerations an entity may use in evaluating the implied yield of a security.

In addition to our concerns about the potential for literal interpretations of paragraph 12 and the culmination of step 1, we have concerns related to step 2. We believe the Board's intention of paragraph 13 is to allow entities to consider a quoted price as a distressed value without requiring an entity to obtain evidence, or attempt to obtain evidence, to prove the value is not distressed. However, paragraph 13 is written in a way that the intention is unclear. We ask the Board to clarify its intent regarding the need to seek evidence to determine whether the value does not represent a distressed value.

Question 5: In our view, the most significant operational challenge posed by these requirements is the requirement in paragraph 15 that the reporting entity "must" use a valuation technique other than one that uses the quoted price without significant adjustment if a market is not active and a holder does not overcome the presumption that a quoted price represents a distressed transaction.

Alternate valuation methods may require significant infrastructure that is not required to meet other accounting requirements and may create additional operational challenges to implement the provisions within the FSP. Therefore, we ask the Board to consider allowing additional flexibility about when such adjustments are made and the approaches used. In addition to the example identified in paragraph A32F, we suggest another allowable approach that considers multiple inputs from qualified and credible third-party service providers. We, and our peers, utilize third-party pricing services and brokers to aide in our determination of fair value. In markets that are not active, it is not surprising that there is a wide range of pricing estimates provided by these sources. Following the rationale employed in using an average yield to discount cash flows indicated in paragraph A32F, it seems reasonable and appropriate to utilize the average price indicated by these multiple third-parties as an estimate of fair value in an orderly transaction. Allowing such flexibility may alleviate considerable operational challenges to implement the proposed requirements. As required in paragraph A32G, the range of potential values provided by these third-parties could be readily disclosed. Further, for many enterprises, there may be minimal incremental cost in allowing this flexibility as the data is already obtained.

In summary, we agree with the major provisions of the FSP and believe the additions and clarifications of fair value measurement guidance will allow entities to appropriately utilize judgment in determining fair value when a market is not active. We would like to, again, emphasize the importance of issuing the final FSP as soon as possible to ensure there is sufficient time to implement the final guidance for March 31, 2009 reporting.

We appreciate the opportunity to comment on the proposed FSP. If there are any questions regarding the content of this letter or you wish to discuss our comments and recommendations, please contact Justin Etheridge at (804) 922-5084 or me at (804) 662-2685.

Sincerely,

/s/ Amy R. Corbin

Amy R. Corbin
Vice President and Controller