

# CorporateOne



LETTER OF COMMENT NO. 129

March 27, 2009

Via Email: [director@fasb.org](mailto:director@fasb.org)

Mr. Russell G. Golden  
FASB Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

File Reference: Proposed FSP FAS 157-e

Dear Mr. Golden:

Corporate One Federal Credit Union ("Corporate One") appreciates this opportunity to comment on the proposed FASB Staff Position No. FAS 157-e *Determining Whether a Market Is Not Active and a Transaction Is Not Distressed* (the "Proposed FSP").

Corporate One is a wholesale corporate credit union providing investment, financial and payment products to its approximately 800 member credit unions. Corporate One, as a liquidity provider to the credit union network, manages a balance sheet of approximately \$4.4 billion of which over \$2.4 billion is invested in marketable securities that are classified as available-for-sale under SFAS No. 115. As such we are particularly interested in the discussions surrounding the determination of fair value for these instruments in today's inactive markets.

Corporate One believes the issues surrounding the determination of fair value estimates in inactive markets are extremely important and as such provided comments to the FASB previously on these matters. Unfortunately, we do not believe that the guidance issued by the FASB in October 2008, FAS 157-3 "Determining the Fair Value of a Financial Asset When the Market for that Asset is Not Active", provided the appropriate guidance. Although the FASB stated that pricing in a dislocated market requires the use of significant judgment, the guidance issued previously stressed the use of risk adjustments due to liquidity risks. The example provided within FAS 157-3 further emphasized the need to incorporate the current dislocated liquidity spreads; hence driving even level three pricing right back to "distressed" pricing versus a price that incorporates what a willing seller would require to sell a security in an active market.

We believe that this new guidance is a significant improvement to the current guidance. However, Corporate One views retroactive application as critical. Although we are encouraged that FASB is addressing this critical issue now, it is clear that what was issued in 2008 was not sufficient and more guidance should have been issued previously. Allowing a retrospective application would be a responsible action by FASB and would have a significant impact to financial reports. Entities should be permitted to adopt this retroactively if they choose. This will be particularly beneficial for entities that have not issued audited December 31, 2008 financial statements.

**1. Is the proposed effective date of interim and annual periods ending after March 15, 2009, operational?**

The Proposed FSP is a significant improvement to current guidance. Corporate One believes that entities should be permitted to apply this guidance retroactively. FASB should permit a retroactive application of this guidance to December 31, 2008 financial statements.

**2. Will this proposed FSP meet the project's objective to improve financial reporting by addressing fair value measurement application issues identified by constituents related to determining whether a market is not active and a transaction is not distressed? Do you believe the amendments to Statement 157 in this proposed FSP are necessary, or do you believe the current requirements in Statement 157 should be retained?**

Corporate One believes that this amendment to Statement 157 helps to clarify what the board believes to be an inactive market and is needed to allow for better comparability between reporting entities. The proposed FSP will improve the quality and transparency of financial reporting.

**3. Do you believe the proposed two-step model for determining whether a market is not active and a transaction is not distressed is understandable and operational? If not, please suggest alternative ways of identifying inactive markets and distressed transactions.**

Corporate One believes Step 1 of this process is understandable and operational. While we understand and appreciate what the FASB is doing in Step 2, we believe that this will be much more difficult to apply from an operational perspective.

**4. Are the factors listed in paragraph 11 of the FSP that indicate that a market is not active appropriate? Please provide any other factors that indicate that a market is not active.**

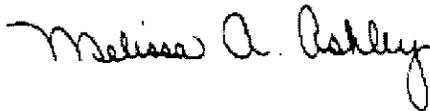
We generally agree with the factors listed in paragraph 11 of the FSP.

**5. What costs do you expect to incur if the Board were to issue this proposed FSP in its current form as a final FSP? How could the Board further reduce the costs of applying the requirements of the FSP without reducing the benefits?**

Corporate One is currently incurring costs related to obtaining expert third party analysis and pricing of a significant portion of our securities, as well as significant internal costs related to running level three pricing for many of our securities. We believe that users of our financial statements and our auditors will continue to scrutinize our methods and assumptions used to arrive at fair value. Barring the complete elimination of the requirement to record our securities at fair value I'm not certain that the Board will be able to reduce the costs associated with this FSP.

I appreciate your attention to this matter and to the points raised in this letter. I welcome a discussion at your convenience. Please feel free to contact me at 614-825-9351.

Sincerely,

A handwritten signature in black ink that reads "Melissa A. Ashley". The signature is written in a cursive style with a large, looped initial "M".

Melissa Ashley  
VP-Chief Financial Officer  
Corporate One Federal Credit Union