

The FSP FAS 157-e will need time to implement to achieve its desired goal of transparency and comparability in financial reporting. Rushing to implement a rule at this recessionary stage in the economy will likely intensify market concerns. The proposed rule acknowledges that lack of clarity as to whether a market may exist for any instrument. What size constitutes a "market" for valuation purposes? What if the intent of market participants differ – speculator, short term investor, hedger, long term investor? While all participants face the same price in a market, should the nature of the disclosure differ – to avoid misleading gyrations in equity? We again state that we support the goal but caution that the implementation process is being unduly rushed – and can lead to unintended consequences. More specifically:

FSP FASB 157:

- 1. No. We believe that there should be at least a 12 month trial implementation period for market participants to anticipate potential implications, adjust and adapt as necessary before adopting the rule.
- 2. As we are a single focus structured finance risk advisory firm, we make only pertinent comment affecting structured finance securities (cash and synthetics). We believe that there are enough market and disclosure mechanisms in place to make objective measurements to determine whether a security is active or is in distress. What is needed is more educated oversight in terms of reporting risk aggregates at each firm or entity level with specific disclosure of nominal risk aggregates in the trading books of each market participant, with explanations of charts showing daily volumes trends in nominal trading book exposure over a 12 month period, and risk mitigating strategies if key assumptions fail.
- 3. Yes, we believe that the proposed guidelines for the 2 step process are clear and operable but the process should not be rushed.
- 4. No additional comment.
- 5. NA

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