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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

April 25, 2007



LETTER OF COMMENT NO. 77

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

Re: File Reference No. 1520-100, Invitation to Comment on *Valuation Guidance for Financial Reporting*

The Office of the Comptroller of the Currency appreciates the opportunity to comment on Valuation Guidance for Financial Reporting. With the increased use of fair value as a measurement attribute in financial reporting, the implementation of valuation concepts has the potential to have a significant impact on the financial institutions we supervise. The following are the specific questions from the Invitation on which we submit comment.

**Need for Valuation Guidance and Process for Issuing Valuation Guidance**

**Question 1(a) - Should Valuation Guidance Include Conceptual Valuation Guidance, Detailed Implementation Guidance, or a Combination of Both?**

**Question 3 - What Process Should Be Used for Issuing Valuation Guidance for Financial Reporting?**

We think a sound conceptual framework describing the objective of a measurement attribute, such as fair value, is the most essential part of needed valuation guidance. We think the FASB Board should continue to be the only body that provides conceptual valuation guidance for financial reporting. Although we see the theoretical merit in the concepts described in Statement 157, *Fair Value Measurements*, we believe that the implementation of some valuation concepts provided may not always lead to improved financial reporting. For example, in some circumstances there may not be a practical and reliable method for estimating the risk premium that a theoretical market participant in the principal or most advantageous market would assume in pricing a position that is valued using level 3 inputs as described in the fair value hierarchy.

While we see the appeal of supplementing the conceptual guidance provided in standards like Statement 157 with more detailed illustrative guidance that demonstrates practical implementation of the valuation concepts, we are concerned about the potential unintended consequences of issuing such guidance. We believe that the creation of a separate standard

setting body to address valuation practice issues would likely lead to greater complexity and would not necessarily result in improved financial reporting. To help institutions more clearly understand the valuation concepts they are meant to apply, we recommend that the FASB, with the help of special working groups, publish a series of valuation practice aids. These practice aids should be limited to a series of real life examples that demonstrate acceptable alternatives to implementing the valuation concepts in specific fact patterns. So as not to be interpreted as prescriptive rules for applying the underlying valuation concepts, it should be clear that the examples provided are not the only acceptable methods for implementing the valuation concepts. We think providing demonstrative examples would bring greater clarity to the meaning of the valuation concepts.

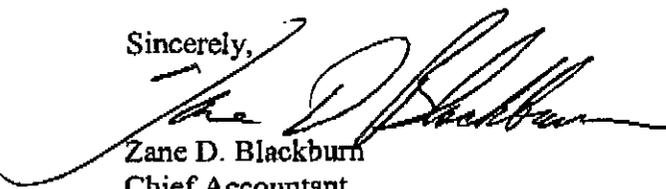
**Level of Participation by Existing Appraisal Organizations**

**Question 2 – What Level of Participation Should Existing Appraisal Organizations Have in Establishing Valuation Guidance for Financial Reporting?**

We believe that the valuation standard setting process requires input from valuation practitioners that have extensive experience applying the valuation concepts. These experts should participate as part of advisory groups of subject matter experts. In drafting further conceptual valuation guidance, we encourage the FASB to consult with advisory groups to assess the practical implications of applying the valuation concepts to the facts and circumstances in which these concepts may need to be applied. We believe that valuation practitioners should be the source used to develop the illustrative examples included in valuation practice aids. We also encourage the FASB to rely on valuation advisory groups to obtain feedback on how valuation concepts are being applied in practice, and as a result to help identify areas in the conceptual framework that could be improved.

We would welcome the opportunity to discuss our concepts with you further. If you have any questions, please contact me at (202) 874-4944 or Rachel Mincin of my staff at (202) 874-5419.

Sincerely,



Zane D. Blackburn  
Chief Accountant  
Office of the Comptroller of the Currency