Interactive Data

LETTER OF COMMENT NO. 36

April 13, 2007

By email: director@fasb.org

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

Re: Response to Invitation to Comment; File Reference No. 1520-100

Dear Sir or Madam:

Interactive Data Pricing and Reference Data, Inc. ("Interactive Data") welcomes the opportunity to respond to the Financial Accounting Standards Board's Invitation to Comment ("ITC" or "invitation") on Valuation Guidance for Financial Reporting, issued January 15, 2007.

Interactive Data is a leading provider of pricing and fixed income evaluations for the financial industry. We also offer a Fair Value Information Service for certain international equity securities as well as valuations for certain derivative instruments. We have been receiving inquiries from our clients regarding FASB's Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("FAS 157") both as to information available from us and our views on approaches for meeting FAS 157 requirements. Given the impact that compliance with FAS 157 will have on firms within the financial industry and on pricing services such as ours, we believe vigorous discussion before the establishment of valuation guidance will benefit the industry and businesses that serve it.

In response to the ITC, we note below Interactive Data's services for the financial industry and, within this context, discuss some of the issues presented in the invitation. Since FAS 157 and other FASB standards may have a significant impact on how our clients use information from us in their fair value determinations, and on what information they will ask of us in meeting FAS 157 requirements, it is appropriate for Interactive Data to participate in the discussion on the standard setting process

Interactive Data provides information for financial assets and liabilities such as equity securities, bonds and other fixed income securities, and increasingly, derivatives. While valuations for most equity securities are based on stock exchange prices, there are no equivalents for most fixed income securities and over-the-counter derivative instruments. Interactive Data's evaluations of fixed income securities represent its good faith opinion of what a buyer in the marketplace would pay for the securities (typically in an institutional round lot position) in a current sale. Our evaluated pricing methodology combines in-house modeling techniques, information from extensive market sources, and a team of evaluators who integrate relevant credit information, perceived market movements, and sector news into the proprietary models for evaluations. These evaluations are used by our clients for many purposes in the front, middle and back office, including for risk management, financial modeling and as inputs in the calculation of mutual fund or hedge fund net asset values.

Regarding whether there is a need for additional valuation guidance, we recognize the arguments on both sides of this issue. Rather than debate the merit of these positions, our focus is on the participants and the process should FASB determine that additional guidance is warranted. We also note that guidance should not restrict the evolution and improvement of valuation methods. Industry practice is dynamic. Therefore, valuation guidance should be based on fundamental concepts. This sort of principles-based approach will provide enough flexibility to accommodate innovation in

financial products, valuation models and technological developments without locking in methods that may become obsolete.

We believe it is critical that all parties with a stake in the process be afforded an opportunity to participate. Appraisal organizations, including pricing services, can bring highly-specialized valuation knowledge and expertise on a range of different financial instruments to the standards setting process. This is true whether appraisal organizations serve in an advisory capacity or as the standard setters. We do not believe that affording a role to appraisal organizations in establishing valuation guidance poses a conflict of interest. While appraisal organizations are an important part of the valuation process, the ultimate responsibility for valuations lies with the preparer of the financial statements.

Whether through a structure similar to EITF or a separate body, it is essential that an organization with sufficient expertise debate and decide issues relevant to valuation guidance. When guidance for particular categories of assets and liabilities is discussed, the group must ensure that those with knowledge of the instruments for which guidance is being developed are afforded an opportunity to participate. Specialized sub-committees, e.g. for structured fixed-income securities, should be considered.

Development of effective valuation guidance must reflect the needs and practices of all the various constituencies that prepare financial statements in accordance with Generally Accepted Accounting Principles, including the financial services industry and the businesses that serve it. We thank FASB for this invitation to comment and look forward to contributing to the ongoing dialogue on valuation guidance.

Sincerely,

Richard F. Koenitzer

Richard Koenitzer
Vice-President, North American Business Lines

32 CROSBY DRIVE • BEDFORD, MA • 01730
PHONE: 781-687-8800 • FAX: 781-687-8289