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Sent: Thursday, October 09, 2008 5:53 PM
To: Director - FASB
Subject: Proposed FSP FAS 157-d



LETTER OF COMMENT NO.

84

9th October 2008

Dear Sirs:

I'd like to take this opportunity to comment on the proposed FASB Staff Position. I am a Certificate of Internal Auditor and working for a financial institution, and I have been involved in the valuation of financial instrument from the perspective of risk management. The following three issues are my comment on your proposal.

First is the explanation for the judgement whether the market be active or inactive. According to your proposal, paragraph A32B, three key words are seen; "bid/ask spread", "transaction volume", and "significant". However, the criteria/ standards that put the clear line between active market and inactive market should be more detailed and concrete. Because, such judgement is crucial for applying an appropriate approach for the fair value measurement. So, "significant" is very vague for such judgement.

Second, just relating the above, is the usage of the observable market information. Based your example, A32D, "indicative quotes" are used as a reference data for setting the rate of return of the CDO. However, under the inactive market condition, are such indicative market information still reliable to estimate market consensus. If so, why does not the Level 2 apply?

Third issue is the definition of "Liquidity Risk". In your example, A32F, you define the liquidity risk as "the compensation that a market participant receives for buying an asset that is difficult to sell under current market conditions".

I feel this definition describe only one aspect of current inactive market, say, "difficult to sell". The current problem that has brought such illiquidity is based upon mutual distrust among market participants, not from the instruments' nature. Considering such aspect, the liquidity risk in inactive market should be measured based on holding extra cost that might be charged against the holder. Such extra cost might be more easy to estimate and more reliable under such abnormal market situations.

Yours sincerely.

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