



LETTER OF COMMENT NO. 73

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Technical Director – File Reference **1520-100**
Financial Accounting Standards Board
401 Merritt 7
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Invitation to Comment: Valuation Guidance for Financial Reporting

Dear Technical Director:

We appreciate the opportunity to comment on the Financial Accounting Standards Board (“FASB” or “Board”) Invitation to Comment “*Valuation Guidance for Financial Reporting*”. While we support the Board’s initiative to evaluate valuation guidance for financial reporting, we do not believe that setting up an official mechanism for valuation guidance is necessary.

Fitch’s commentary on selected questions.

Question 1: *Is there a need for valuation guidance specifically for financial reporting?*

Fitch believes that there is no need for valuation guidance specifically for financial reporting purposes beyond the principles that should be provided in FASB’s standards. Standards should state the appropriate valuation approach to adopt and explain why this is appropriate for the asset or liability in question. We believe that establishing a separate set of valuation guidance on top of standards will add another layer of complexity and unnecessary rules to the financial reporting framework, a marked contrast to the Board’s stated objective of reducing complexity and issuing principles based standards.

Fitch acknowledges that valuing assets and liabilities on the basis of principles rather than a set of rules may result in inconsistent implementation. However, the agency encourages the Board to focus on requiring useful disclosure about the valuation approach taken, assumptions made and sensitivity of the final valuation to those assumptions. This would provide users of financial statements with better information than a number based on a set of “best fit” rules that may not be particularly relevant to the transaction in question.

Question 2: *What level of participation should existing appraisal organizations have in establishing valuation guidance for financial reporting?*

Appraisal organizations should be meaningful participants in establishing valuation guidance. Valuation experts and appraisers should be utilized in an advisory capacity by preparers, with valuations based on principles established by the accounting standards and the assumptions made included in the notes.

Question 3: *What process should be used for issuing valuation guidance for financial reporting?*

Fitch believes that the FASB should have primary responsibility for valuation guidance in financial reporting and that guidance should be provided in FASB standards. The due process already in place for issuing standards should ensure that new guidance is consistent with the conceptual framework and prevent the proliferation of valuation guidance.

Question 4: *Should the process of valuation guidance be on an international or national level?*

Given the ongoing momentum to converge FASB and the IASB's standards, any new valuation guidance written into FASB standards should consider the international implications and the extent to which this coincides with International Financial Reporting Standards.

We would be happy to answer any questions on our comments.

Yours sincerely,

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