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LETTER OF COMMENT NO.

330

April 1, 2009

Mr. Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
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Via Email to director@fasb.org

File Reference: Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b, and Proposed FSP FAS 157-e

Dear Mr. Golden:

We are pleased to comment on the proposed Financial Accounting Standards Board (FASB) Staff Positions (FSP), FSP FAS 115-a, FAS 124-a, and EITF 99-20-b, "Recognition and Presentation of Other-Than-Temporary Impairments" and FSP FAS 157-e "Determining Whether a Market is Not Active and a Transaction is Not Distressed". We support the FASB in moving quickly to identify and propose solutions designed to address difficult fair value measurements and other-than-temporary impairments due to current economic conditions. These market conditions affect the global economy and highlight the need to address some of the basic principles of fair value accounting in markets that are not active. While urgency is needed to address some of these issues, and we support the Board issuing guidance as soon as practical, we also believe more time is required to carefully analyze all of the ramifications of certain issues being proposed to determine if changes and other alternatives are appropriate.

FSP FAS 115-a, FAS 124-a, and EITF 99-20-b "Recognition and Presentation of Other-Than-Temporary Impairments"

Overall we support the FASB in the issuance of the above FSP and recommend its issuance as soon as practicable. The proposed FSP will improve accounting for impairments and provide a more consistent model for determining other-than-temporary-impairment (OTTI) for debt securities. While we support the issuance of the FSP, we also have certain suggestions and observations for the Board's consideration.

Equity Securities

We believe the determination of whether an equity security is other-than-temporarily-impaired is different than that of a debt security, primarily since it does not have a fixed or estimable maturity; therefore, it is difficult to determine and assert a recovery date. Likewise it would be difficult to determine the credit loss component of a decline in fair value. Though we recommend the exclusion of equity securities from the scope of the proposed FSP, we believe OTTI as it relates to equity securities has been a challenging area in accounting for some time, and encourage the Board to consider adding this issue to its agenda.

Impairment Related to Credit Losses

The proposed FSP requires the amount of impairment related to credit losses to be based on management's best estimate and suggests there may be more than one method to determine the impairment. The proposed FSP indicates the following:

"In determining the amount of the total impairment related to credit losses the reporting entity shall use its best estimate of the amount of the impairment that relates to an increase in the credit risk associated with the specific instrument. One way of estimating that amount would be to consider the measurement methodology described in paragraphs 12-16 of FASB Statement No. 114, Accounting by Creditors for Impairment of a Loan."

As stated above, the proposed FSP indicates FASB Statement No. 114 is just one method to determine the impairment related to credit losses. If the Board believes there are other appropriate methods, besides FASB Statement No. 114, to measure impairment related to credit loss, we believe it would be useful to refer to those other methods.

In addition, the proposed FSP refers to specific paragraphs in FASB Statement No. 114 which provide more than one approach to measuring impairment. If the Board intends the present value method, as outlined in FASB Statement No. 114 to be used, we believe the proposed FSP should be clarified to indicate as such. It is unclear to us how an entity would use the practical expedient approach (e.g., the fair value of collateral), in FASB Statement No. 114 for a debt security.

FSP FAS 157-3 provided an example of how to implement its specific guidance. We believe an example or examples of applying the proposed FSP to an actual security would also be helpful.

Effective Date and Transition

The proposed FSP currently indicates that it shall be effective for interim and annual reporting periods ending after March 15, 2009 and that it shall be applied prospectively. However, the proposed FSP is silent on whether an entity could amend previously issued financial statements through retrospective application. The proposed FSP is also not clear on how the effects of any changes as a result of its application should be reported, for example as a change in estimate. We recommend the effective date and transition provisions clearly describe the following:

- Whether retrospective application to a prior interim or annual reporting period is permitted or not permitted.
- Whether revisions resulting from application of the proposed FSP should be accounted for as a change in estimate (in accordance with FASB Statement No. 154, Accounting Changes and Error Corrections) or otherwise.

The proposed FSP requires a specific presentation to be used in the statement of income when OTTI is recognized. We believe it would also be helpful to clarify whether OTTI charges reported for prior periods (periods prior to the effective date of the proposed FSP) should be reclassified and presented consistent with the proposed approach, although none of the prior period OTTI charges would separate the impairment not related to credit.

FSP FAS 157-e "Determining Whether a Market is Not Active and a Transaction is Not Distressed"

The current state of the global economy and the dislocation in the credit markets has focused significant attention on fair value accounting and prompted consideration by many of changes to existing fair value models. As noted above we believe the timely issuance of proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b, with certain revisions, will provide significant improvement for financial statement preparers

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in addressing one of the fair value accounting issues and resolve one of the primary inconsistencies in the current mixed attribute model.

Proposed FSP FAS 157-e on the other hand includes fundamental changes to the fair value measurement model that strongly suggest more time is needed to understand all the implications of its changes. We believe applying the provisions in the proposed FSP may result in an appropriate fair value measurement in some situations; however, we are concerned that due to the broad scope and application of the proposed FSP, that it will result in unintended consequences. For example, the proposed FSP includes the presumption that a quoted price is distressed any time a market is concluded as not active. The evidence required to overcome the presumption would apply in very few circumstances and would actually be difficult to provide in some active market situations.

The previous guidance in FSP FAS 157-3 combined with the issuance of the proposed FSP on OTTI should provide sufficient standards to address concerns of the preparer community, while the Board and other constituents thoughtfully and deliberately further consider FSP FAS 157-e. Allowing more time and a more usual due process to properly evaluate its impact on financial assets that may be affected by this proposed FSP, will achieve the overall goal of developing appropriate guidance that can be applied broadly and mitigate unintended consequences.

For the reasons described above, we do not support the issuance of FSP FAS 157-e as currently exposed.

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We support the FASB in their efforts to timely address improvements in accounting standards, especially given the current turmoil in the global markets. We also encourage the FASB to continue their evaluation of issues related to fair value measurements in markets that are not active and the development of appropriate accounting standards. We appreciate the opportunity to provide our comments on the above proposals and would be willing to assist in the further development of these important standards.

Please contact Wes Williams or James A. Dolinar, should you have any questions.

Very truly yours,



Crowe Horwath LLP