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March 30, 2009

Mr. Russell Golden  
Technical Director  
Financial Accounting Standards Board  
301 Merritt 7 P.O. Box 5116  
Norwalk, CT 06856-5116



377

LETTER OF COMMENT NO.

Re: Proposed FSP FAS 157-e

Dear Mr. Golden:

The California Bankers Association (CBA) appreciates the opportunity to comment on FASB's Proposed FSP FAS 157-e, *Determining Whether a Market Is Not Active and a Transaction Is Not Distressed* (hereafter, the "Proposal"). CBA is a professional non-profit organization established in 1891 and represents most of the depository financial institutions in the state of California. We write to support FASB's effort to provide additional guidance on determining whether a market for a financial asset is not active, and whether a transaction is distressed for purposes of fair value measurements under FASB Statement No. 157.

The current guidance assumes that the value of a financial asset is exchanged in an orderly transaction between market participants. The guidance is less helpful with regard to whether a market is inactive and whether a transaction is conducted in distressed circumstances. The Proposal lists specific factors that the reporting entity should consider when determining whether a market for a financial asset is inactive and whether a transaction is distressed. If these conditions exist, then the reporting entity could use another method of valuation, such as a present value technique to estimate fair value. The Proposal is helpful because it gives banks a means to demonstrate the need to use a valuation method other than mark-to-market when that method is inappropriate. Nevertheless, CBA asks that FASB consider ways to reduce the work necessary to arrive at a valuation.

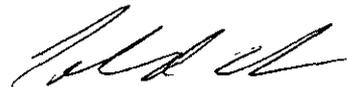
To be workable, we believe FASB needs to provide additional, operationally-feasible guidance. In the proposed steps 1 and 2 analysis (to determine whether a market is inactive and whether a transaction is distressed), several factors are listed for the entity to consider. These require more clarity to ensure that banks can apply them without undue costs and burdens. For example, how does the entity determine what are the indications of an "inactive market"? Further guidance is needed on the use of discount rates and risk premiums, as the appropriate levels depend on the intent of the holder of

Mr. Russell Golden  
April 1, 2009  
Page 2

the asset (to hold to maturity or to sell) and whether the market is function and liquid. Entities should be permitted to exercise reasonable discretion to determine whether *reliance on Level 2 or Level 3 inputs is more appropriate.*

Once again, CBA supports the FASB's effort to provide an alternative to mark-to-market valuation of assets in an inactive market. We ask that further clarifications are made with an eye toward easing the work needed to derive a valuation, as described. Thank you for your attention to these matters.

Sincerely,

A handwritten signature in black ink, appearing to read "Leland Chan", written in a cursive style.

Leland Chan  
General Counsel