

Via Email: [director@fasb.org](mailto:director@fasb.org)

April 1, 2009

Mr. Russell Golden  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
Post Office Box 5116  
Norwalk, Connecticut 06856-5116



LETTER OF COMMENT NO. 331

Re: Re: File Reference – Proposed FASB Staff Position No. FAS 157-e “Determining Whether a Market is Not Active and a Transaction Is Not Distressed”

Dear Mr. Golden:

Ameriprise Financial, Inc. appreciates the opportunity to comment on the Proposed FASB Staff Position No. FAS 157-e, “Determining Whether a Market Is Not Active and a Transaction Is Not Distressed” (The proposed FSP). Ameriprise Financial, Inc. is a diversified financial services company serving the comprehensive financial planning needs of the mass affluent and affluent. We are an investor in securities that have price declines to levels that no longer reflect the economic reality of the underlying assets and believe that the Proposed FSP will better align accounting results with the fair value of the securities in inactive markets. However, we suggest further clarification and modifications to fully achieve the stated objectives.

Our primary concerns are summarized below:

- The implication of FSP FAS 157-e on registered investment companies that prepare financial statements based on a net asset value. The reporting of assets in an inactive market at liquidation value is appropriate for such preparers.
- Effective date should not be mandatory for periods ending after March 15, 2009, but should allow for early adoption.

We have included below our discussion of these primary concerns within our responses to the specific questions outlined by the FASB in the Proposed FSP and are repeated below.

**FSP FAS 157-e**

1. Is the proposed effective date of interim and annual periods ending after March 15, 2009, operational?

*Response:* We believe that the proposed effective date is operational for periods ending after March 15, 2009. However, some entities may need more time to implement; therefore, we suggest an effective date for interim and annual periods ending after April 15, with early adoption permitted.

2. Will this proposed FSP meet the project's objective to improve financial reporting by addressing fair value measurement application issues identified by constituents related to determining whether a market is not active and a transaction is not distressed? Do you believe the amendments to Statement 157 in this proposed FSP are necessary, or do you believe the current requirements in Statement 157 should be retained?

*Response:* The Proposed FSP provides much needed guidance related to the application of Statement 157 regarding the determination of when a market is not active and distressed. We do believe that this amendment is needed to clarify for financial statement issuers and auditors when a market is not active. The presumption that a price for a security when the market for that security is inactive is a distressed transaction in paragraph 13 of FSP FAS 157-e is helpful because previous guidance was interpreted by many that a trade was not distressed unless proven otherwise. Proving a trade was distressed was virtually impossible unless the entity making the assessment was a party to the transaction.

3. Do you believe the proposed two-step model for determining whether a market is not active and a transaction is not distressed is understandable and operational? If not, please suggest alternative ways of identifying inactive markets and distressed transactions.

*Response:* The two step model as described in the FSP itself is operational and importantly allows management judgment in the determination of whether a market is active or not. The list of indicators and the presumption that a security price in an inactive market is distressed is helpful. However, we are extremely concerned about the impact of the resulting fair value determination in an inactive market for registered investment companies. We believe these entities should reflect the liquidation price if the market is inactive. A non liquidation price is not appropriate for net asset value calculations nor is it practical for investment companies to use valuation methods other than quoted prices on a daily basis. Clarification for why an investment company should be required to record investments at liquidation and a scope exception from the Proposed FSP may be the most simplistic way to require these entities to record securities in an inactive market at a liquidation value.

The Proposed FSP also includes an example of how to apply the two-step approach to determine whether a market is not active and a quoted price for a security is distressed. We believe the example is not consistent with the actual guidance within the Proposed FSP. For example, Paragraph A32F discusses a discount rate "based on bid level yields." We believe this wording could be interpreted to indicate that bid prices are an appropriate starting point in determining fair value in a distressed market. We do not believe that this

is consistent with the Proposed FSP and should be removed from the guidance. In addition, the example discusses a range of possible outcomes and the use of a midpoint. Other models may determine a best estimate of fair value as one amount rather than a range. We suggest removing the example or at a minimum modifying and clarifying that the example should not be interpreted as the only method to determine fair value in a market that is not active.

4. Are the factors listed in paragraph 11 of the FSP that indicate that a market is not active appropriate? Please provide any other factors that indicate that a market is not active.

*Response:* The list of factors is appropriate.

5. What costs do you expect to incur if the Board were to issue this proposed FSP in its current form as a final FSP? How could the Board further reduce the costs of applying the requirements of the FSP without reducing the benefits?

*Response:* We have not fully determined the cost of implementing the FSP but an increase in people costs and investment systems will likely result. However, we do not believe these costs will exceed the benefits of applying the Proposed FSP.

Thank you for your consideration of our comments on the Proposed FSP. If you have any questions, comments or would like further information, please contact me at (612) 678-4769.

Sincerely,



David K. Stewart  
Senior Vice President & Controller