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LETTER OF COMMENT NO.

343

Re: Proposed FSP FAS 157-e

The proposed FASB staff interpretation represents a significant improvement in the quality of guidance with respect to the computation of fair value. Most fundamentally, the proposed interpretation clarifies that the application of market inputs derived from inactive or distressed markets often does not result in relevant or representationally faithful measurements of fair value.

That said, I respectfully request that the Board expand the proposed guidance in paragraph 11 by requiring preparers to consider the size of a reporting entity's aggregate holdings of a particular security in relation to the security's historic average trading volume when determining whether a market is "active" or "inactive" A market can only be considered active if it is sufficiently large to absorb an entity's aggregate portfolio in an orderly manner over a reasonably short (e.g. 30 - 90 day) time period.

Considering the urgent need for clarification of fair value guidance I urge the Board to proceed expeditiously to finalize and issue the proposed interpretation of FAS 157.

In addition, however, the Board should consider undertaking a fast track project to consider the following amendments to FAS 157:

Block discounts/premiums

Prohibition of the consideration of block discounts and premiums, while convenient for preparers and their auditors, has resulted in the calculation of portfolio fair values that fail to meet the underlying definition of fair value – the amount at which a willing buyer would pay for an entity's securities in an orderly transaction. I urge the Board to reconsider this prohibition in light of actual market data that suggests that large blocks of securities do, indeed, trade at discounts or premiums to current quotes.

Distinction between level 2 and level 3 inputs

Valuations based upon level 2 inputs are perceived to be significantly more reliable than those based upon level 3 inputs. Given this distinction, the Board should consider narrowing the definition of level 2 inputs to consider only those inputs associated with similar or correlated assets and liabilities that are derived from **active** markets. All inputs derived from inactive markets should be considered level 3.

Definition of level 3 inputs

FAS 157 requires that level 3 inputs be developed from the perspective of potential market participants even with respect to those assets that will be held to maturity or liabilities that will be settled through an entity's on-going operations.(e.g. exit price approach). In essence, entities are required to "value" financial assets and liabilities that are never intended to be exchanged from the perspective of hypothetical non-existent market participants. The result, I respectfully submit, is a valuation that is neither reliable nor relevant! Fair value guidance would be improved by requiring that level 3 inputs be developed from the perspective of the reporting entity for those asset/liabilities that an entity has the ability and intent to hold or settle over the long-term.

Again I want to congratulate the Board for expeditiously considering improvements to its fair value requirements.

Sincerely,

A handwritten signature in black ink, appearing to read "John Wulff", with a stylized flourish at the end.

John Wulff

Cc: R H Herz