



LETTER OF COMMENT NO.

12

December 17, 2007

Mr. Russell G. Golden  
Director of Technical Application and Implementation Activities  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116  
File Reference: Proposed FSP SOP 07-1-a

**Subject: Comment Letter on Proposed FASB Staff Position No. SOP 07-1-a,  
*Effective Date of AICPA Statement of Position 07-1***

Dear Mr. Golden:

Wachovia Corporation is pleased to have the opportunity to comment to the Financial Accounting Standards Board (the "Board") on the proposed FASB Staff Position No. SOP 07-1-a, *Effective Date of AICPA Statement of Position 07-1* (the "Proposed FSP"). Wachovia invests in public and private entities through established investment companies and the guidance in the AICPA's Audit and Accounting Guide, *Investment Companies*, is used to determine the appropriate accounting ("investment company accounting"). Accordingly, we are very focused on the AICPA's Statement of Position 07-1 (the "SOP") and the Board's proposal to defer the effective date.

We agree with the Board's decision to defer the effective date of the SOP due to the difficulties in interpreting certain of its requirements, however, it is imperative that such deferral be accompanied by a one-time election of fair value under SFAS 159 for "similar investments" upon the eventual adoption of the SOP. Specifically, we find that the lack of

clarity in defining “similar investments” when applying paragraph 30(b) of the SOP and the further unclear “tainting” provisions have made implementation efforts challenging.

Paragraph 30(b) of the SOP requires that a parent company be able to distinguish between the “nature and type of investments” made by its investment companies and those made outside of an investment company. Investments held outside of an investment company that are considered to be similar to investments held in the investment company (“similar investments”) must be accounted for in the same manner (i.e. fair value) or investment company accounting cannot be retained in consolidation by the parent company. As noted, there is no definition of what constitutes a similar investment, other than the need to distinguish between the nature and type of investments. Therefore, it is extremely difficult for an entity to apply their judgment to this accounting principle.

Through discussions in industry groups and peer benchmarking, we have identified significant diversity in practice in defining similar investments ranging from the use of certain industry codes (e.g. SIC codes) as the benchmark for “similar investments” to considering all equity securities to be similar. Such varying interpretations will lead to inconsistent application across the industry.

Further, this accounting principle is inconsistent with Statement of Financial Accounting Standards No. 159, *The Fair Value Option* (“SFAS 159”), which allows an entity to elect fair value for certain investments regardless of similarity. In fact, SFAS 159 allows an entity to account for identical securities in different manners. We believe that this provision should be removed from the SOP, as it adds no value to financial statements yet introduces operational complexities and may lead to undesired and unintended consequences for financial statement users.

Paragraph 31 of the SOP explains that if the parent company fails to meet the requirements of paragraph 30 (including the similar investments provision) after previously concluding that investment company accounting would be permissible, its investment

companies would be “tainted” and could not retain such accounting. This provision provides no margin for error, is impractical for large global operations and does not explain the implications of such tainting. Specifically, if an investment company is “tainted” and the matter that caused such tainting is subsequently addressed, can investment company accounting be reapplied? The SOP provides no guidance to answer this question.

Though we are in full support of the Board’s decision to defer the effective date of the SOP, we do not believe such deferral would be effective in addressing the matters noted, unless the Board also provides the ability to elect the fair value option for existing financial assets and liabilities under SFAS 159 upon the adoption of the SOP. As noted, a definition of what constitutes similar investments was not provided and a diversity of interpretation has already developed in the industry. As a result, it is extraordinarily difficult for an entity to make a meaningful decision as to what investments are considered similar and must be accounted for at fair value. Therefore, an entity would not be prepared to elect the fair value option for similar investments until such definition is clarified.

Further, it is imperative that the Board provide such one-time fair value election as a provision of this Proposed FSP. Wachovia, as well as the majority of U.S. registrants, is adopting SFAS 159 on January 1, 2008. At that time, we will make an irrevocable election to account for certain financial assets or liabilities at their fair market value. If no additional fair value option election is made available upon the adoption of the SOP, we will be forced to make a decision on whether to apply fair value to similar investments today, *without a proper definition of what constitutes a similar investment*. Such decision could result in our choosing not to elect fair value for an investment that we believed was not similar only to have the clarification of the definition of similar investments determine that the investment is similar. We would then be unable to apply investment company accounting to our otherwise qualifying investment companies under the SOP’s current tainting provisions.

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An additional comment relates to something we believe to be a drafting error in the Proposed FSP. In its current form, the Proposed FSP indicates that the effective date would be as of the issuance date, anticipated to be in January 2008. However, the effective date of SOP 07-1 is December 15, 2007. If the Proposed FSP is not effective until January 2008, the delay of the SOP could not be enacted except retroactively after the required initial adoption of the SOP . We believe that the effective date of the Proposed FSP should be changed to December 15, 2007, or prior.

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We would be pleased to address any questions you may have regarding the comments in this letter or to discuss our position in more detail, at your convenience. I can be reached at 704-383-3021, or by email at [pete.carlson@wachovia.com](mailto:pete.carlson@wachovia.com).

Sincerely,

Peter M. Carlson  
Senior Vice President and  
Corporate Controller

cc: Thomas Wurtz, Senior Executive Vice President and Chief Financial Officer