

October 22, 2009

The Honorable Robert Herz Chairman, Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116	Sir David Tweedie Chairman International Accounting Standards Board 30 Cannon Street London, EC4M 6XH United Kingdom
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Dear Mr. Herz and Sir David:

The Financial Instruments Reporting and Convergence Alliance (“FIRCA”) is a coalition of nine trade organizations –American Council of Life Insurers, Commercial Mortgage Securities Association, Council of Federal Home Loan Banks, Group of North American Insurance Enterprises, Mortgage Bankers Association, Property Casualty Insurance Association of America, The Financial Services Roundtable, The Real Estate Roundtable and The U.S. Chamber of Commerce – representing all sectors of the economy and areas of the financial services arena. FIRCA recognizes that accurate and transparent financial reporting is a cornerstone of our capital markets in the United States and globally.

The mission of FIRCA is:

- To support the adoption of joint International Accounting Standards Board (“IASB”)- Financial Accounting Standards Board (“FASB”) international high quality robust accounting standards. These standards should be decision-useful, reliable, and relevant. Additionally, these standards should present financial information in a manner that is reflective of the business operations of an entity. Appropriately crafted standards should transparently provide information and not drive economic activity.
- To assist standard setters in providing a wide range of input to ensure the proper consideration of business operations and potential unintended consequences in the development and implementation of accounting standards.

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- Recognizing that the financial crisis is global in scope and magnitude, to work with standard setters and decision makers to ensure that these projects are conducted jointly to insure a comprehensive response to financial reporting policies.

We are writing today to express our concerns about the potential failure of the efforts to converge accounting standards and the consequences of a schism between the FASB and IASB.

It goes without saying that we now live in a global economy. It has been widely recognized that the convergence of U.S. Generally Accepted Accounting Principles (GAAP) as adopted by the FASB and International Financial Reporting Standards (IFRS) as promulgated by the IASB is necessary for investors and businesses to operate in this new environment. Convergence efforts between FASB and IASB were formalized through the Norwalk Agreement signed on September 18, 2002 and updated periodically. In response to the financial crisis, FASB and IASB formed the Financial Crisis Advisory Group (“FCAG”) to jointly address financial reporting policy issues related to the crisis. The G-20 nations, at the Pittsburgh Summit, issued statements calling for the IASB and FASB to complete their Convergence Project by 2011. Recently, the Securities and Exchange Commission (“SEC”) reaffirmed its intention to begin a work plan this fall to reset its IFRS road map proposal that was originally proposed in 2008.

Nevertheless, there are increasingly visible and disturbing signs that suggest a parting of ways between FASB and IASB on key elements of the Convergence Project:

- 1) In the Financial Instruments project, IASB is moving forward with a valuation system based on a mixed attribute model of fair value and amortized cost, while the FASB tentative decisions indicate a shift to a system of only fair value;
- 2) This past spring, FASB finalized new standards FAS 166 and 167, to be effective on January 1, 2010, bringing onto the balance sheet hundreds of billions of dollars of assets and liabilities. While considering this proposal, IASB has taken no such action and exposed its own standards for de-recognition and consolidation earlier this year. IASB’s exposure drafts

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- varied significantly from FAS 166 and 167 and would not be effective in 2010;
- 3) Since April 2009, FASB and IASB have had a divergent set of standards relating to valuations in inactive markets and impairment rules;
 - 4) Recent press remarks by Sir David Tweedie, calling into question the renewal of the Norwalk Agreement and stating that the FASB efforts to expand fair value for all financial instruments are unacceptable to the rest of the world;
 - 5) Reports of statements by FASB members threatening to scuttle any further progress on convergence based on IASB decisions on Classification and Measurement; and
 - 6) Both FASB and IASB have been debating the accounting of insurance contracts and there have been significant differences in opinion on the possible approaches.

If the Convergence Project collapses, U.S.-based investors and companies could only operate on the international stage with severe handicaps. Differing rules would cause confusion in the marketplace, restrict domestic and global capital formation causing negative ripples to wave across the domestic and global economies. Different rules create an unbalanced playing field and foster a system of accounting arbitrage that will allow participants to game the system.

To be clear, FIRCA was born out of a desire to reduce procyclicality in accounting and insuring that reliable, relevant and transparent information is decision useful for all market participants. While FIRCA members have felt that some efforts could have gone further, FIRCA has supported some of the actions and positions taken by FASB and IASB in reducing procyclicality. While those issues are not the reason for this letter, we are concerned that your Boards may not act on a joint basis. The inevitable conflicts that will follow if that happens will have deeply adverse consequences and create unforeseen difficulties within the fragile financial and economic environment.

We understand that at your upcoming October joint meeting, the Boards will consider modification of the Norwalk Agreement to make commitments on the continuation of progress towards convergence. Accordingly, FIRCA respectfully

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requests that FASB and IASB recognize the importance of these serious discussions and iron out any differences, transparently and with public input, and take the joint actions necessary for the presentation of reliable and relevant financial information that is decision useful for all participants in a global economy. A failure to do so will hurt all market participants, impair efforts to restore economic growth, and inhibit job creation.

Sincerely,

American Council of Life Insurers
Commercial Mortgage Securities Association
Council of Federal Home Loan Banks
Group of North American Insurance Enterprises
Mortgage Bankers Association
Property Casualty Insurance Association of America
The Financial Services Roundtable
The Real Estate Roundtable
The U.S. Chamber of Commerce