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Letter of Comment No: 1
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Mr. Robert H. Herz, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856

Dear Bob:

The Committee on Corporate Reporting ("CCR") of Financial Executives International ("FEI") is writing to request that the Board re-expose the proposed standard on *Fair Value Measurements* for public comment. FEI is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior financial executives. CCR is the financial reporting technical committee of FEI, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. This document represents the views of CCR and not necessarily the views of FEI or its members individually.

CCR responded to the Staff Draft on November 16, 2005, to explain our significant concerns with the application of a marketplace participants ("MP") approach to fair value – a concept that we believe has the potential to assign values to nonfinancial assets and liabilities that do not faithfully represent the economics of the underlying transactions. Those concerns do not appear to have been addressed in the Board's subsequent deliberations. We also are concerned about how constituents should apply the fair value measurement guidance in the subsequent accounting in circumstances in which the MP approach gives rise to higher fair values (consistent with highest and best use) than existing valuation methods.

CCR also observes that the composition of the levels in the hierarchy have changed multiple times over the course of Board's redeliberations and that the principle of the highest and best use of an asset described in paragraphs 11, 12, and 31 in the Staff Draft is very different than the valuation premise described in paragraphs 13, B6, and B7 of the June 2004 ED. While we understand that this was discussed at a public meeting, we do not think that there was sufficient due process performed to obtain views of constituents on this very significant change.

During our liaison call on February 27th, members of CCR's FASB subcommittee were asked for views on the establishment of a valuation resource group to assist with implementation of the fair value measurements standard. While this appears responsive, in part, to some of the concerns expressed above, we believe that such activities should be performed before the standard is finalized. This would obviate subsequent amendments to the new standard and would avoid the circumstance of companies having to revise their initial application of the guidance in light of subsequent interpretations by such a group.

Given the uncertainties and concerns expressed above and the fact that the IASB is continuing to work through similar issues on its own version of the standard, we believe that it is in the best interests of all constituents for the Board to issue a revised exposure draft of the proposed standard on Fair Value Measurements. We appreciate the opportunity to express our views on this matter.

Sincerely,



Lawrence J. Salva
Chair, Committee on Corporate Reporting
Financial Executives International

cc: Robert J. DeSantis, FAF President