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LETTER OF COMMENT NO. 12

November 5, 2007

Mr. Robert H. Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116

Re: Request for deferral of FAS 157

Dear Mr. Herz:

The Committees on Corporate Reporting ("CCR") and Small Public Company Task Force ("SPCTF") of Financial Executives International ("FEI") wishes to reiterate and further explain our support for a full deferral of Statement of Financial Accounting Standards No. 157 – Fair Value Measurements ("FAS 157"). FEI is a leading international organization of senior financial executives. CCR and SPCTF are technical committees of FEI, which review and respond 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 SPCTF and not necessarily the views of FEI or its members individually.

Members of our Committees listened with great interest to the October 17th Board discussion and concur with points raised by the FASB staff regarding the fundamental nature of the issues raised with FAS 157. We understand that issues in the following areas were raised and discussed by the FASB's newly-formed Valuation Resource Group at its initial meeting on October 1st:

- Definition of a market participant
- Determination of the principal market
- Unit of valuation
- Effect of bid/ask spreads on measurement (the "auction" scenario)

The issues raised in each of these areas apply equally to financial as well as non-financial assets and liabilities and the potential for clarifications and/or substantive modifications to the principles in the standard must be carefully considered. We are concerned that: (1) additional fundamental issues may arise in subsequent discussions with the VRG, and (2) there is insufficient time for their resolution and communication to constituents in advance of the required adoption date.

We believe that a decision to stay with the original effective date would have significant consequences for the majority of companies that have not yet adopted. While a number of financial institutions have been working diligently over the past year to modify systems and processes to comply with the standards requirements by the stated effective date, even they will likely find it difficult to react to potential changes in the requirements over the next two months. Companies from other industries have only recently come to appreciate the magnitude of the impact of FAS 157 on their reporting. Derivatives and hedging (including hedges of long term debt), impairment of long lived assets and goodwill and pension accounting are just a few of the areas that these companies need to evaluate in the context of the requirements of FAS 157 and they are finding it difficult to get answers from their auditors on the most basic questions. We note that a significant amount of time was devoted to this standard at a recent PCAOB Standards Advisory Group meeting and it was fairly clear that participants had concerns about the complexity of the standard and the readiness of the auditors to advise on and audit its application.

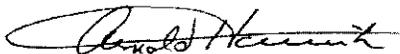
In addition, it is our understanding that an issue has arisen regarding the ability to measure a liability based on the exit price notion (the price at which an entity could transfer the obligation) prescribed in FAS 157. We observe that this is primarily an issue with financial liabilities and therefore the consequential effects would not be ameliorated by a partial deferral. That said, if the Board remains steadfast in its opposition to a full deferral, a deferral for the portion of the standard that addresses non-financial assets and liabilities would nevertheless be very helpful. However, such an action would raise two concerns: (1) whether an operational split could be effected from a definitional standpoint, and (2) whether this approach makes it less likely that the issues discussed above will be resolved on a timely basis with respect to financial assets and liabilities.

In repeating our request for a full deferral, we wish to make clear that our letter does not request specific changes to the standard other than to the effective date. Rather, it acknowledges that if the Board determines that changes are necessary, it would be far better for all constituents if those changes were completed prior to its adoption by the vast majority of companies. In addition, in the absence of authoritative guidance it will take additional time for practice to develop in each of these areas. We sincerely appreciate the FASB's prior decision to remove leases from the scope of the standard and its consideration of the issue of whether fair value information related to pensions are required to be included in the sponsor's disclosures; we observe that issues like these provide additional evidence that a full deferral of the standard for one year is the right path forward.

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We appreciate the Board's consideration of these matters and welcome the opportunity to discuss any and all related matters.

Sincerely,



Arnold C. Hanish
Chairman, Committee on Corporate Reporting
Financial Executives International



Karen Rasmussen
Chair, Small Public Company
Task Force
Financial Executives International