



April 28, 2011

Ms. Susan Cospers
Technical Director
401 Merritt 7
PO Box 5116
Norwalk, CT 06856

**Re: File Reference No. 2011-100: Proposed Accounting Standards Update:
*Balance Sheet (Topic 210) Offsetting***

Dear Ms. Cospers:

The Funding Executive Committee of the Securities Industry and Financial Markets Association (the "Committee")¹ appreciates the opportunity to provide comments on the Financial Accounting Standards Board's ("FASB") exposure draft on the offsetting of financial assets and financial liabilities (the "Exposure Draft"). The Committee has reviewed the letter submitted by SIFMA's Dealer Accounting Committee ("SIFMA DAC letter") and agrees with the messages contained in that letter –both with respect to the broader points and those specific to the repurchase and reverse repurchase agreement ("repo") market. The Committee submits this letter to highlight and reiterate concerns of the repo business community.

Specifically, the Committee would like to highlight the following:

- * Net presentation provides more relevant information than gross presentation for repos with the same counterparties and settlement dates.
- * Repos with the same counterparties maturing on the same day should be presented net if subject to a settlement mechanism that results in the functional equivalent of net settlement.

¹ The members of the Funding Executive Committee of SIFMA represent the funding and repo business activities of the primary dealers.

The Committee believes that assets and liabilities should be presented in the financial statements in a manner that provides useful information for assessing a firm's future cash flows, the nature of the claims against the firm and the firm's liquidity and solvency. However, the Committee does not believe that FASB's proposed guidance meets these objectives for repos. Application of this guidance will require gross presentation of most repos, and we believe such presentation obscures -- given the use of master netting agreements with long-standing legal recognition and settlement procedures that result in net settlement -- the true credit risk position and liquidity profile of member firms. The Committee believes that current U.S. GAAP offsetting principles that recognize net presentation, augmented by suitable disclosures, provide more relevant information about the reporting entity's credit risk and liquidity profile. In order to avoid the gross presentation that we believe is not meaningful with respect to repos, we believe that the FASB should keep its existing guidance for offsetting repos or develop an approach for "simultaneous settlement" that recognizes the substantial mitigation of credit and liquidity risk in current repo settlement arrangements.

The Committee is concerned that the narrow interpretation of "simultaneous settlement" in the Exposure Draft is overly restrictive and fails to recognize settlement practices in place today in the repo market. Repos and reverse repos are typically executed between two counterparties but cleared through a CCP or central settlement system. Some commonly used clearing agents such as the Fixed Income Clearing Corporation (FICC) in the U.S. settle repos maturing on the same day only once, net at the end of the day. However, other widely used CCPs, such as the London Clearing House (LCH), settle repos with the same currency and maturity date in batches throughout the day. A reporting entity cannot track specific transactions in each batch. However, all transactions are cleared on the same day and the economic effect is, in substance, identical to the FICC, and therefore, the same as settlement at the same moment. We believe that it is inappropriate to treat identical transactions that are cleared through major settlement systems differently simply by virtue of the fact that their operational processes are different.

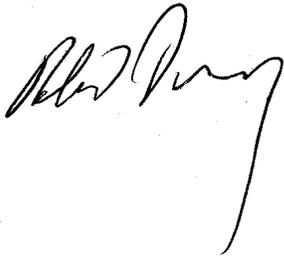
We strongly believe and concur with the statements in the SIFMA DAC letter that final guidance should explicitly accommodate the operational functioning of the repo clearing houses in the interpretation of simultaneous settlement. We believe that current guidance recognizes that, for repos, settling through a clearing house is the same as "at the same moment", and this should be explicitly recognized in order to continue to allow a presentation that reflects business realities.

Further, as outlined in the SIFMA DAC letter, we believe that net presentation as recognized by current offsetting principles with enhanced disclosure can mitigate

any difference between GAAP and IASB models. This will provide relevant information with respect to the risks in repo and will reflect more accurately the way these businesses are operated.

We reiterate our support for the key messages in the SIFMA DAC letter and refer you there for a more technical discussion of these issues and concerns. If you have any questions specific to our concerns about repo treatment, please contact me at 212.313.1124 or rtoomey@sifma.org.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert Toomey". The signature is fluid and cursive, with a long, sweeping tail on the final letter.