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Sent: Thursday, March 12, 2009 7:45 AM
To: Marc Siegel
Subject: FIN 46R Adjustments, Timing



LETTER OF COMMENT NO. 74

Marc,

Thank you for your time earlier this week.

I am a sell side financial services analyst with Piper Jaffray, covering the financial services industry.

I have worked as a sell side analyst for over 12 years and was in the private equity industry, with a heavy focus on financial services, for 10 years prior.

I am overwhelmingly in favor of increasing clarity of off balance sheet assets and liabilities so that investors and analysts have a true picture of financial health, risks and quality of earnings for companies.

I believe related low quality earnings measures, such as non-cash gain on sale accounting, discounting future uncertain cash flows to present value with a host of assumptions, was one of the most misleading accounting measures in my career and has led to devastating consequences for investors, the companies themselves and their employees.

I agree generally with proposed changes to FIN 46. However, I am very concerned about the timing and think it needs to be moved back at least a year due to the current financial market crises. I think that disclosures should be improved as soon as possible, but forcing the assets on balance sheet as soon as Jan. 1 2010 is too soon.

Putting the assets on balance sheet will materially impair reported capital ratios for many financial services firms. In reality, we look at all of our companies as if the off balance sheet assets are already on balance sheet and have done so for years. It is the perception that is driving markets today, however. The lower GAAP reported capital ratios that will result from reporting placing all off balance sheet assets onto the balance sheet, can raise market fears and widen debt spreads. This then could add to the negative feedback loop on mark to market accounting.

Most financial institutions are in no position to raise capital today from private markets to increase capital ratios.

Increasing disclosure is critical. Moving the official implementation of adjustments to FIN 46 back 2 years, with increased footnote disclosures required, seems prudent in the current turbulent times.

Thank you,

Best regards,

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