



Mr. Russell G. Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

File Reference: Proposed FSP FAS 107-b and APB 28-a

Dear Mr. Golden:

The Financial Reporting Committee ("FRC") of the Institute of Management Accountants (IMA) appreciates the opportunity to provide its views on the Exposure Draft of Proposed FASB Staff Position No. FAS 107-b and APB 28-a, *Interim Disclosures about Fair Value of Financial Instruments* (the "Exposure Draft"). FRC is the financial reporting technical committee of the IMA. The Committee reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations.

We believe the Exposure Draft represents an improvement over Proposed FASB Staff Position No. 107-a, Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107, and commend the Board for listening to our concerns. However, we are concerned about the ability of companies with large portfolios of financial assets (in particular, financial institutions with large loan portfolios carried at amortized cost) to comply with the proposed fair value disclosures on a quarterly basis. For many companies, preparing the fair value disclosure is a labor-intensive exercise that, in some cases, can take up to three to four weeks. In the context of an annual reporting period, three to four weeks to prepare the fair value disclosure still leaves the company with sufficient time before they are required to file the financial statements. In the context of an interim reporting period, where large accelerated and accelerated filers have 40 days after the end of a quarter to file their Form 10-Q, three to four weeks to prepare fair value disclosures leaves a company with little room for delays in gathering and processing data.

We do not believe the Board should require the disclosure of fair value information on a quarterly basis at this time. As noted above, we are concerned about the amount of time it will take companies to prepare the fair value disclosures and the risk that the preparation of the disclosures poses to filing quarterly reports on a timely basis, particularly for those companies with a significant amount of illiquid investments they do not regularly mark to fair value. Further, the Board recently added two projects to its agenda to provide guidance on difficult valuation issues associated with estimating fair values in inactive markets and for investments in funds that report net asset value to





investors but place restrictions on the ability of an investor to transact at net asset value. The Board also formed the Financial Crisis Advisory Group, which plans to discuss what additional guidance on estimating fair value might be necessary at its March 15, 2009 meeting. We believe the Board should provide further guidance on valuation issues arising from our illiquid markets and allow its advisory group process time to work before it mandates additional fair value reporting requirements that will require companies to make significant changes in their quarterly processes. Further, in light of market illiquidity, we believe the Board should obtain additional information about investor needs and their operationality, consistent with the Valuation Resource Group's discussion about separately disclosing the effects of liquidity on fair value measurements at its February 5, 2009, meeting.

If the Board decides to issue the Exposure Draft as a final standard, we recommend it delay the effective date of the proposed FSP by one year. That will allow companies to attempt to streamline their processes for gathering and testing the data needed to prepare the fair value disclosures and hopefully reduce the amount of time it takes to prepare the disclosures currently. We expect companies will need time to modify systems and processes and the related controls.

Finally, FRC notes that the Exposure Draft does nothing to address concerns raised by preparers, auditors and, most recently, the SEC staff in its "Report and Recommendations Pursuant to Section 133 of the Emergency Economic Stabilization Act of 2008: Study on Mark-to-Market Accounting," about the impairment model in FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities. We believe the Board should address that issue on an accelerated basis. While we understand the Board attempted to address constituent concerns in Proposed FSP FAS 107-a, as noted in our comment letter on that project, we do not believe disclosure is sufficient to overcome the issues arising from the application of the impairment model for financial assets. We encourage the Board to accelerate its efforts to resolve concerns over the impairment model in Statement 115.

We would be pleased to discuss our comments further with the Board or the FASB staff. You may contact me at (513) 983-6666.

Sincerely,

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Chair, Financial Reporting Committee

