

LETTER OF COMMENT NO.

Sent:

Tuesday, March 24, 2009 3:27 PM

To:

Adrian Mills: Diane Inzano: Joseph Vernuccio: Kevin Stoklosa: Kristofer Anderson: Mark

Subject:

Trench; Meghan Clark; Peter Proestakes; Russell Golden; Vita Martin; Wade Fanning

FW: File Reference: Proposed FSP FAS 157-e

----Original Message----

From: Connerly, Eric [mailto:Eric.Connerly@robecoinvest.com]

Sent: Tuesday, March 24, 2009 3:06 PM

To: Director - FASB

Subject: File Reference: Proposed FSP FAS 157-e

Sir / Madam:

As director of research for a company with over thirty investment professionals primarily overseeing retirement funds for our country's hard-working men and women, I would like you to reconsider your modification of current "mark-to-market" accounting rules.

The proposed changes in FAS 115-a and EITF 99-20-b would be detrimental to financial statment users', including my own, ability to accurately gauge the economic earnings of companies with substantial holdings of securities and residual interests (hereafter, "securities") for the following reasons:

Separating a management-assessed anticipated credit loss estimate from the market's assessment of economic value would serve only to compound errors in management judgment in establishing the overly optimistic value of the securities in the first place. Whether the market's judgment of anticipated cash flows is more accurate than managements' will be highly dependent on individual management skill and reduce, not improve, comparability between reporting entities.

Establishing the public markets as arbiters of security prices on financial statements will better serve analysts' and regulators'

attempts to assess economic value and solvency.

- 2. Allowing the reporting entity to estimate credit losses based on long term averages (as specified in FAS 114) again reduces comparability. In my experience as a securities analyst covering financial institutions, I have seen loss estimates and reserves vary as much as 300-500% between institutions holding nearly identical loans stratified by borrower type, collateral and credit quality. If there is a reliable market price for the security, that price should be used so that financial statement users don't have to make manual adjustments for each security type in an effort to put reporting entities on the same footing. Conceptually, splitting the two components of impairment (credit and other) makes sense, but practically, splitting reduces the utility of financial statements to users. Changes in the economic value of securities that are held for trading or available for sale should run through the income statement, full stop. Yes, that introduces volatility to the income statement, but that volatility is simply a reflection of the business decisions the reporting entity has made. Ignoring economic volatility will only lead to misallocation of capital and resources (public and private) down the road.
- 3. Allowing for a middle decision between trading and holding to maturity only increases the ability of reporting entities to mask changes in economic value when it is in their interest to do so.

Enabling managers to assess when economic values will recover is tantamount to asking them to make an accurate forecast of the level of the Dow Jones Industrial Average or yield on the ten-year Treasury bill over the next year. If management had been able to make such an accurate prediction, chances are they wouldn't have to make a choice about recognizing an impairment in the first place. (If you are aware of a management team that can correctly and consistently predict the Dow or T-bill, please drop me a line.)

4. Amortizing any impairment would only further complicate assessments of value (see #s

- 1-3, above), and further increase the needless time spent reversing such amortization.
- 5. I have no opinion on the proposed 3/15/09 date.

Please do not make it more difficult for users to interpret financial statements. The last thing I want to see is even less confidence in our financial system than the current low ebb.

Thank you for your consideration, P Please consider the environment before printing this email. Recycle where possible.

Eric Connerly
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