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LETTER OF COMMENT NO.

15

committee on corporate reporting

February 20, 2008

Russell Golden
Director, Technical Application and
Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116

Re: Proposed FASB Staff Positions 157-c

Dear Mr. Golden:

The Committee on Corporate Reporting ("CCR") of Financial Executives International ("FEI") wishes to express its support for the proposed FSP FAS 157-c, "Measuring Liabilities under FASB Statement No. 157" ("FSP 157-c"). FEI is a leading international organization of senior financial executives. CCR is the senior technical committee of FEI, which reviews and responds 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 not necessarily the views of FEI or its members individually. Our comments on this FSP follow.

CCR agrees with the Board's decision to clarify the principles in FASB Statement No. 157, *Fair Value Measurements*, on the fair value measurement of liabilities. We believe that a fair value measurement of a liability as drafted under Statement 157 generally embodies a hypothetical measurement attribute. The hypothetical measurement attribute requires an entity to create inputs for the profit a marketplace participant would require to assume a transferred liability, and risk premiums in the limited circumstances in which an existing liability may be transferred to a new obligor that does not have the same nonperformance risk as the transferor. The profit and risk premium inputs are hypothetical because an entity would generally extinguish a liability by settling the obligation directly with the counterparty rather than by paying another entity to assume the existing obligation or, in the limited circumstances where an existing liability may be transferred to a new obligor, the transferee may not have the same nonperformance risk as the transferor. These inputs raise a number of issues regarding the consistency and quality of a fair value measurement of a liability. We therefore agree that the consistency and quality of a fair value measurement of a liability could be improved if the Board were to clarify the principles in Statement 157.

FSP 157-c reiterates that a quoted price for the identical liability (unadjusted) in an active market (Level 1 input) is the best evidence of fair value for that liability. We

agree with this reiteration. FSP 157-c goes on to state that, in the absence of a quoted price for the identical liability in an active market, the reporting entity may measure the fair value of its liability at the amount that it "would receive as proceeds if it were to issue that liability at the measurement date" (an entry price notion). When applied to an obligation that does not have a quoted price for the identical obligation, FSP 157-c would require an entity to measure the instrument using inputs commensurate with prevailing market terms. This clarification increases the consistency and quality of fair value measures under Statement 157 by eliminating the requirement to embed hypothetical inputs in measuring the fair value of a liability. We therefore support FSP 157-c.

FSP 157-c takes a unique approach to addressing one of the key practice issues associated with Statement 157. As we mentioned in our previous comment letters on Statement 157, one of the most troubling issues preparers face in measuring the fair value is determining the exit price in instances in which there is an absence of a quoted price for the identical asset or liability in an active market. FSP 157-c addresses this issue by providing an approach that supports exit prices, if available, and entry prices in the absence of quoted prices. This approach simplifies fair value measures for liabilities and increases the consistency and quality of such measures. We believe that this approach can be useful in addressing similar practice issues associated with measuring the fair value of assets.

We appreciate the Board's consideration of our comments and we look forward to working with the Board on the development of additional guidance related to fair value measures for assets.

Sincerely,



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