

March 31, 2009

Mr. Russell G. Golden, Technical Director Financial Accounting Standards Board 401 Merritt 7, P.O.Box5116 Norwalk, Connecticut 06856-5116

Via email: director@fasb.org



RE: Comments on Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b: Recognition and Presentation of Other-Than-Temporary Impairments

Dear Mr. Golden and the Board:

Thank you for your work on these issues. I have followed the efforts on fair value and other-than-temporary impairment for many years and know of FASB's tireless efforts and genuine intentions to facilitate accurate, consistent, understandable, and meaningful financial reporting.

We believe that the proposed FSP on OTTI makes significant and important strides toward the Board's financial reporting objectives and corrects problems with the current guidance and application of OTTI. Those problems have been exacerbated by the current financial market turmoil.

We comment as both users of financial statements as well as producers of them. As a user of financial statements, a Chartered Financial Analysis, a bank analyst, and a debt security investment strategist, I am confident that the proposed guidance will significantly improve financial statement meaningfulness, usability, comparability, and consistency. As producers of financial statement information, our firm provides bond accounting services to over 700 entities, consults with countless others on accounting for investment securities including OTTI.

While some have expressed reservations about the proposal and seem to worry that change to the current guidance will allow institutions to burry losses and make financials less reliable, we believe the opposite. Many of the articles and commentaries criticizing the proposed changes to OTTI in the business and popular press have been significantly lacking in substance and understanding of the issues at hand.

In response to the specific questions posed in the notice,

- The separate presentation (credit versus other) does provide decision-useful information. It is anyone's
 guess as to the future path of interest rates and market spreads but credit impairment was then, and is
 now, seen as more discernable and requiring recognition. The credit versus other presentation is the
 approach that many entities have included in MD&A and other releases and has been the question
 posed repeatedly by financial statement users assessing recognized impairments, whether OTTI or not.
- 2. We believe that the proposed guidance is operational for debt securities but would encourage the inclusion of guidance relative to the confirming the appropriate discount rate selection and application. In addition, the guidance should state or illustrate through example that the same discount rate be applied to both the remaining contractual cash flows as well as the expected cash flows with the

difference in the present values representing the credit component. Such guidance would be constructive in reducing application issues and inconsistencies. It would also prevent the unintended inclusion of a market/rate discount in the credit component, caused by different rates being applied to original/contracted cash flows as compared to expected cash flows.

We agree with recognizing the credit component in income but suggest no new guidance is necessary for the remaining portion. As a result, we would have the remaining amount, like any impairment deemed not to be other-than-temporary, reported in OCI for available for sale securities only. While it is important that investors know the total amount of impairment, not just the credit component, for all securities (including those classified as held to maturity), the current financial reporting requirements are sufficient. Investors can easily see the amount of impairment in multiple ways through tables currently required in the financial statement disclosures. Although some prefer information on the face of the financial statements, information on investment impairment had been clearly and understandably presented in the disclosures for many years and should not confuse investors.

The remaining portion should be recognized in earnings once it has become more likely than not that the entity will sell the security before recovery. In addition, the credit component should be reviewed and increased, when necessary, quarterly.

- 3. The modification of the "intent and ability" approach is critical and is significantly more operational than the current approach. An unintended consequence of the EITF 03-1 deliberations and FSP 115-1 has been inconsistent and overly rigorous application of the "intent and ability" concept which had existed for many years before 2003 with different, reasonable application. Because our focus is on debt securities, we will leave it to others to comment on this application to equity securities.
- 4. As discussed above in #2, we would propose not including the "remaining impairment" on held to maturity securities in OCI and would prefer to account for that impairment in the same manner as all impairments of held to maturity securities are reported. If, however, the final guidance calls for the remaining impairment of held to maturity securities to be reported in OCI then it is important that changes in fair value flow through OCI consistent with the current reporting of available for sale securities.
- 5. The proposed effective date of interim and annual periods after March 15, 2009 is operational. In addition, to provide for consistency and comparability, it is critical that there be a means to "true-up" OTTI recognized in 2008 to the new approach.

Thank you for your efforts.

Sincerely,

Mark Evans, CFA Executive Vice President

Director of Investment Strategies