

March 31, 2009

LETTER OF COMMENT NO. 228

Mr. Russell G. Golden Technical Director Financial Accounting Standards Board

director@fasb.org

File Reference: Proposed FSP FAS 115-a

This letter is in response to the Invitation to Comment on the above-referenced matter.

By way of background I have been a security analyst following financial companies for 36 years, so this letter can be classified as a user comment.

As a user I have long believed that the standards for impairments were deficient because of the difficulty of determining the difference between temporary and other-than-temporary and also because the inherent problems in a company determining its intent to hold to recovery.

Since many others (most notably the SEC in its December 2008 report to Congress—see Recommendation # 4) also believe there are difficulties with the accounting for impairments I have presumed that the standards would eventually be modified in the normal course of events through a reconsideration (presumably in a joint project with the IASB) of the entire topic of accounting for financial instruments.

However, the current financial crisis does not allow the luxury for issues to be resolved "in the normal course of events." Instead all involved parties must respond to the immediate pressures being placed upon them. Unfortunately, in times such as these intellectual correctness often gives way to political expediency.

While I believe this FSP weakens financial reporting I also believe that investors understand the context in which it is being issued and will not allow the resulting headline reported earnings to alter their view of the underlying valuations of financial stocks. This is because bank income statements have been almost completely discredited as a valuation tool and supplanted by book values, which are essentially not changed by this proposal.

Also of limited value to investors are the banks regulatory capital figures which have been replaced in importance by tangible common equity as the key valuation and analytical metric.

As a result, I see limited impact on the financial stocks from the issuance of this proposal since the underlying economics are not changed.

All this, however, does highlight the importance of rethinking the entire approach to accounting for financial instruments. In the long run, many of the operational problems with financial instrument reporting could be resolved by having all financial instruments recorded at fair value with changes reported through the income statement.

The entire context in which this proposal has been developed also highlights the need to establish a way for global accounting standards to be set in a manner that is free from political interference, to the extent possible.

I would be pleased to discuss this or other matters at your convenience.

Alan Zimmermann