



LETTER OF COMMENT NO.

166

Sent: Tuesday, March 31, 2009 1:44 PM
To: Adrian Mills; Diane Inzano; Joseph Vernuccio; Kevin Stoklosa; Kristofer Anderson; Mark Trench; Meghan Clark; Peter Proestakes; Russell Golden; Vita Martin; Wade Fanning
Subject: FW: File Reference: Proposed FSP FAS 115-a, FAS 124-a and EITF 99-20-b.

From: Havanki, Robert [mailto:Robert.Havanki@fhlbny.com]
Sent: Tuesday, March 31, 2009 1:25 PM
To: Director - FASB
Subject: File Reference: Proposed FSP FAS 115-a, FAS 124-a and EITF 99-20-b.

March 31, 2009

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

File Reference: Proposed FSPs FAS 115-a, FAS 124-a & EITF 99-20-b and FSP FAS 157-e

Dear Mr. Golden:

We appreciate the opportunity to comment on the proposed FASB Staff Position No. FAS 115-a, FAS 124-a and EITF 99-20-b, *Recognition and Presentation of Other-Than-Temporary Impairments* ("proposed FSP #1") and on the proposed FASB Staff Position No. FSP FAS 157-e, *Determining Whether a Market is Not Active and a Transaction is Not Distressed* ("proposed FSP #2").

We commend the Financial Accounting Standards Board ("FASB") for providing greater clarity to investors about the credit and noncredit component of an OTTI event and to more effectively communicate when an OTTI event has occurred. However, as noted below, we are concerned about the effective date and transition process associated with proposed FSP #1. We are also concerned that by attempting to provide additional authoritative guidance in determining whether a market is not active and a transaction is not distressed (proposed FSP #2), FASB has introduced a high degree of subjectivity and a lack of clarity because the current proposal does not provide enough practical guidance and specificity, resulting in a failure to meet its stated objective of improving financial reporting by addressing these fair value measurement application issues in this manner.

Effective Date of Proposed FSP #1

We believe that proposed FSP #1 represents a step in the right direction as the FASB pursues its comprehensive joint project with the International Accounting Standards Board ("IASB") regarding, among other issues, accounting for impairments. We believe the amount of any impairment loss recognized in earnings for investment securities classified as either held-to-maturity ("HTM") or available-for-sale ("AFS") should be based on the difference between the carrying amount of the instrument and the credit loss amount.

3/31/2009

However, as currently drafted, proposed FSP #1 would be effective for interim and annual reporting periods ending after March 15, 2009, and would be applied prospectively. Therefore, this guidance would not allow any noncredit losses to be included in OCI, rather than in retained earnings, prior to the first quarter of 2009.

FASB's proposal to apply prospective treatment under the FSP does not provide for a more uniform system of impairment testing standards for financial instruments because an entity would have applied one accounting treatment for OTTI on or before year-end 2008, and a different accounting treatment for OTTI beginning in 2009. This difference in accounting treatment greatly reduces financial statement comparability and transparency. Therefore, we believe that it would be more consistent for the proposed FSP to be made retroactive to year-end 2008 or alternatively, include a one-time cumulative "catch-up" adjustment between OCI and retained earnings in the first quarter of 2009.

Use of Subjectivity in Determining Whether a Market is Not Active and a Transaction is Not Distressed

As currently proposed, we are concerned that applying the proposed guidance included in proposed FSP #2 introduces a high degree of subjectivity and a lack of clarity into the determination of whether a market is not active and a transaction is not distressed.

We note that paragraph 11 of proposed FSP #2 definitively lists seven factors "that indicate that a market is not active." However, the guidance also notes that "those factors should not be considered all inclusive because other factors may also indicate that a market is not active." To this point, paragraph 12 of proposed FSP #2 states that "after evaluating all factors and considering the significance and relevance of each factor, the reporting entity shall use its judgment in determining whether the market is active." As an additional example, we note that paragraph 13 of proposed FSP #2 does not quantify how much time is sufficient in referring to "sufficient time before the measurement date to allow for usual and customary marketing activities for the asset." These examples neither instill confidence that one reached the correct result, nor that the result would be consistently verifiable among users, investors, auditors, etc. This overall lack of clarity will make auditing this guidance very difficult.

As a result of the issues noted above, we do not believe that proposed FSP #2 will meet its stated objective of improving financial reporting by addressing these fair value measurement application issue in this manner.

We thank the Board for its consideration of our views..

Sincerely,

Robert A. Havanki

Confidentiality Notice: The information contained in this e-mail and any attachments (including, but not limited to, any attached e-mails) may be legally privileged and confidential. If you are not an intended recipient, you are hereby notified that any dissemination, distribution or copying of this e-mail is strictly prohibited. If you have received this e-mail in error, please notify the sender and permanently delete the e-mail and any attachments immediately. You should not retain, copy or use this e-mail or any attachment for any purpose, nor disclose all or any part of the contents to any other person.