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LETTER OF COMMENT NO. 52

committee on corporate reporting

February 13, 2008

Teresa S. Polley
Chief Operating Officer
Financial Accounting Foundation
401 Merritt 7
Norwalk, CT 06856

RE: Proposed Changes to Oversight, Structure, and Operations of the FAF, FASB, and GASB

Dear Ms. Polley:

The Committee on Corporate Reporting (CCR) of Financial Executives International (FEI) appreciates the opportunity to comment on the Proposed Changes to the Oversight, Structure, and Operations of the FAF, FASB, and GASB (“the proposal”). FEI is a leading international organization of senior financial executives. CCR is a 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.

We applaud the Financial Accounting Foundation (“FAF”) for establishing a Special Committee on Governance Review to reexamine the overall structure, effectiveness, and efficiency of the governance processes of the FAF, FASB, and the GASB. We understand that this examination is to evaluate and plan for the future role of the FAF and FASB in light of a “capital market environment moving toward a single set of global financial reporting standards”. We agree that positioning the FAF and FASB to become even more effective and efficient in a changing environment is critical at this time. Accordingly, we believe that many of the proposals will assist in accomplishing that goal; but we respectfully question the need for others.

We have provided our individual responses provided below which are limited to only the changes proposed at the FAF and FASB, not the GASB.

Proposed Action: Expand the breadth of individuals and organizations that are invited to submit nominations for the FAF Board of Trustees with the understanding that final authority for all appointments rests solely with the Board of Trustees.

CCR supports this proposed action. We agree that an expansion of the nominating process for the FAF Board of Trustees to a broader population of qualified nominees would enhance the independence, quality and diversity of its membership.

Proposed Action: Change the term of service for Trustees from two three-year terms to one five-year term.

CCR supports this proposed action.

Proposed Action: Change the size of the Board of Trustees from sixteen members to a range of fourteen to eighteen members.

CCR supports this proposed action. We agree that by allowing for flexibility in the number of trustees at any one time, you improve the ability of the Board to adapt to changes in the regulatory and reporting environment, and add to particular experience and expertise as needed.

Proposed Action: Strengthen and enhance the governance and oversight activities of the Trustees as to the efficiency and effectiveness of the standard-setting process.

CCR supports this proposed action. According to the proposal the Trustees plan to “take a more active oversight role as to the efficiency and effectiveness of the standard-setting process, such as due process, agenda setting, solicitation of public comment, consideration of comments, and the retrospective evaluation of the effectiveness and efficiency of standards”. We would conclude that the last of these – the evaluation of the standards is most critical at this time. We agree as noted in the proposal, however, that it is important that in implementing this recommendation the Trustees should be mindful not to insert itself into the independent standard setters’ (i.e., the FASB) substantive deliberations of accounting considerations, but focus on the evaluation of such standards. One recommendation that we have seen in this area is to resurrect a FAF Oversight Committee (active during the 1980s) to assist in this role. We believe this is an area that the FAF should explore.

Proposed Action: Reduce the size of the FASB from seven members to five.

CCR respectfully disagrees with the proposed action. We agree with the Trustees that the continuing expansion of the global financial markets and the drive toward the use of a converged or a single set of global accounting standards will place new and greater demands on the standard-setting process. We do not agree however that reducing the number of Board members from seven to five will result in the FASB being more nimble and responsive to these demands. While we understand that it may be easier for

five members to agree upon a solution to a financial accounting issue, we do not believe that it follows that the solution reached amongst five is necessarily better than that of a seven member Board. We continue to believe that the Board needs a sufficiently broad based group to study and bring a variety of individual and industry perspectives and experiences to the analysis, and to have a comprehensive debate of the issues, in the development of well thought out standards. We believe that the dialogue, diverse views and expertise afforded among seven members allows for the creation of high quality standards. A smaller Board may not best represent the perspectives necessary to present a generally accepted standard. While additional viewpoints may result in a standard progressing at a slower pace, we believe it ultimately results in a better quality standard. Our observations are that the size of the Board has not been the primary reason for delayed standards. More timely standards release could be better addressed by more focused scope of the projects, more effective project management, and a more principles-based approach to developing financial reporting standards, which we know are all areas that the FASB is already working on.

Additionally, the proposal indicates that this recommendation is consistent with the sizes of the SEC and PCAOB, but we would point out that the IASB Board consists of fourteen members, so we do not believe that a smaller number of Board members will necessarily result in increased efficiency and effectiveness.

We do believe that a smaller Board may be called for upon convergence as fewer resources would likely be needed from the FASB, but that should likely be a decision considered amongst a larger review of the role of FASB upon convergence, and not at this present time.

Proposed Action: Retain the FASB simple majority voting requirement.

CCR does not support a simple majority voting requirement for a five member Board. We believe that with only a five member Board in place, a super majority should be required to assist as a guide in ensuring that the standards set forth represent “generally accepted” accounting principles. In our opinion, concentrating the decision making authority of the Board in five individuals underscores the need for a super-majority vote.

Proposed Action: Realign the FASB composition.

CCR believes that regardless of whether the Trustees move to a seven member or five member Board, the composition of the Board should be reconsidered. The mission of the FASB is to “establish and improve standards of financial accounting and reporting for the guidance and education of the public, including issuers, auditors, and users of financial information”. The background of the individuals who sit on the Board is critical in ensuring that the standards they set forth provide the “guidance” required in the mission for issuers, auditors and users, as well as ensuring that the standards and resulting accounting are able to be implemented and understood by these individuals. We therefore recommend, that regardless of Board size, there should be an equal

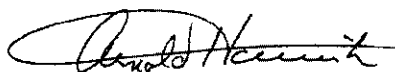
balance of representation from the preparer, auditor, and user community – one of each for a five member Board, and two of each for a seven member Board. The balance of the seats (two when assuming a five member Board and one for a seven member Board) should be “at-large” candidates who come from any primary experience – auditor, preparer, academic, and financial statement user and who the Board deems as the most qualified individual found at the time. The “at-large” candidates would also allow the Board to consider within its composition private vs. public company perspectives which has become a focus in the current environment.

Proposed Action: Provide the FASB Chair with decision-making authority to set the FASB technical agenda.

CCR agrees that there is a need to focus the decision-making relative to the FASB technical agenda both from the perspective of adding and removing agenda items as well as prioritizing their existence on the agenda. We believe that instead of placing that authority, however, in the hands of one individual (i.e., the Chair) we would recommend that an agenda or steering committee be formed similar to those in place for other committees operating within the FAF, FASAC, EITF, and IASB. We believe an agenda committee of approximately two or three Board members would assist the FASB in initiating and more quickly responding to pressing issues in a changing environment, but at the same time ensuring the objectivity of the agenda setting as described in the FASB mission.

Thank you for the opportunity to express our opinions.

Sincerely,



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