Massachusetts Bankers Association

April 1, 2009

Mr. Russell Golden Technical Director Financial Accounting Standards Board 301 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116



LETTER OF COMMENT NO. 389

Via Email: director@fasb.org

Proposed FSP FAS 157-e, Determining Whether a Market Is Not Active and a Transaction Is Re: Not Distressed

Dear Mr. Golden:

On behalf of our nearly 200 commercial, savings and cooperative banks and federal savings association members located throughout Massachusetts and New England, the Massachusetts Bankers Association (MBA) appreciates the opportunity to comment on Proposed FSP FAS 157-e, Determining Whether a Market Is Not Active and a Transaction Is Not Distressed. As you know, current accounting guidance and practices are resulting in financial statements for banks that are not transparent and could be misleading in some cases.

MBA strongly supports promoting transparency in financial reporting. Therefore, we believe it is critical to make improvements to fair value accounting and we appreciate the Financial Accounting Standards Board's (FASB) efforts to address this issue, particularly given the current economic environment where many of the markets for mortgage-related and other securities are illiquid. FASB's effort to make improvements to the guidance for estimating market values in these illiquid markets is a positive step.

We believe that FASB should provide more explicit practical guidance on how to implement the proposed Fair Value FSP. We are concerned that the proposal may not meet its intended objectives since it appears to be lacking sufficient details and practical guidance to determine fair value based on appropriate market-based discount rates as of the measurement date in an orderly market. Given the current market environment, it may be difficult for accountants and regulators to agree with management's assumptions without more practical and specific guidance.

In addition, we believe that FASB should provide additional guidance in the proposed Fair Value FSP regarding what is a quoted price. Financial institutions often obtain values for their investment securities from third-party sources including, but not limited to market transactions, broker quotes, and pricing services. It would be helpful if FASB specifically provided a definition of what constitutes a quoted price, and how those third-party pricing sources fit into that definition.

We also offer the following additional recommendations:

• Guidance is needed on the use of discount rates and risk premiums

We recommend that the description of an "orderly transaction" be modified to ensure that risk premiums used in Level 3 valuation techniques reflect those of a normally active and functioning market.

• Guidance is needed to clarify issues with "inactive markets"

Differentiation between a normally inactive market and a dislocated market is essential in order to properly evaluate bid price quotes. In addition to helping evaluate the quality of the pricing data received, differentiation helps determine whether certain bid prices should be disregarded in a Level 3 valuation technique.

• Entities should use reasoned judgment as to whether reliance on Level 3 is more appropriate than Level 2

Additionally, entities should be permitted to base this decision on whether the cost of estimating cash flows passes their internal cost/benefit analysis.

Again, we support the Proposed FSP and believe it will help clarify what we believe the FASB intended to clarify with FSP 157-3. However, we also believe that the clarifications noted above would be extremely helpful to lessen the continued confusion that is occurring in today's environment. Thank you for the opportunity to comment and for considering our views. Please feel free to contact me at (617) 523-7595 if you have any questions or need additional information.

Sincerely.

Jon K. Skarin

Director, Federal Regulatory & Legislative Policy