

April 1, 2009



VIA Email

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116
director@fasb.org

RE: File Reference: Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b.

This letter responds to the Board's request for comment on the Proposed FASB Staff Position No. FAS 115-a, FAS 124-a, and EITF 99-20-b (Proposed FSP). In our response, we would like to bring to the Board's attention an additional matter regarding the Proposed FSP that we believe requires further consideration.

The second sentence in paragraph 12 of the Proposed FSP states the following regarding the recognition and measurement of the impairment loss:

If an other-than-temporary impairment exists, the entire amount of the impairment shall be recognized in earnings.

While we would agree with the guidance in that paragraph as it applies to the measurement and recognition of impairment loss for an equity security, we believe that this guidance is inadequate when recognizing impairment for a debt security since it may overstate the amount recognized in earnings when a portion of the impairment loss may be temporary and will be recovered in future periods.

In certain circumstances, we believe that only a portion of the impairment that represents the potential loss on a debt security that a holder does not intend to hold until full recovery should be recognized in earnings and not the entire amount of the impairment. As stated in the first paragraph of the Proposed FSP, the objective of an other-than-temporary impairment is to determine whether the holder is likely to realize some portion of the unrealized loss on an impaired security. Therefore, we believe the guidance should be modified to require that only the portion of an unrealized loss that is more likely than not to be realized by the holder of a debt security shall be recognized in earnings and not the entire amount of the impairment. Consider the following example to illustrate this point:

On January 1, 20X1 an entity invests in a high quality long-term debt security purchased at par, i.e. 100, and having a AA rating. The security is collateralized by loans which are 97% guaranteed by the U.S. government (e.g. certain student loan auction rate securities).

At December 31, 20X1 due to the market for the securities becoming inactive and due to the general widening of the credit spreads on debt securities as a result of an economic downturn, the estimated fair value of the security declines to 85% of par value. The holder continues to receive contractual interest on the security and the security continues to be rated AA by the rating agencies, in part due to U.S. government backing.

At December 31, 20X1 the holder determines that there is a decline in fair value of the security below its cost and, therefore, the security is impaired. However, a majority of that impairment is temporary as the security is guaranteed to return at least 97% of par amount by the maturity date, due to the U.S. government backing.

Based on an analysis of investment opportunities, cash needs and its borrowing abilities, the holder may be willing to sell the security but only at a price above 95% of par value. Therefore the holder decides to continue to hold the security until its value recovers to 95% and is able to assert that it is more likely than not that the security will not be sold below 95% of par value. In the Proposed FSP, since the holder intends to sell the security and it is more likely than not that the holder will sell the security before full recovery of its cost basis, the holder will be required to recognize an impairment loss of 15% of par value in earnings at December 31, 20X1; however, the more likely than not impairment loss to the holder is only 5% of the par value as the holder will continue to hold the security until its price recovers to or above 95%.

The example above illustrates how the guidance in paragraph 12 of the Proposed FSP results in recognition of an overstated loss in earnings when only a portion of the impairment in value of a debt security is other-than-temporary. The guidance in paragraph 12 is appropriate for an equity security as it is not possible to positively assert a recovery in the value of an equity security to its original cost basis; however, for high quality debt securities with contractual cash flows such an assertion can be readily made subject to appropriate credit risk considerations. Furthermore, a holder of a debt security may be able to positively assert the intent to not sell the security until it recovers a certain minimum portion of its original cost basis and therefore minimize the amount of the loss from the security. Recognition of an entire amount of impairment in earnings in such situation would inaccurately portray the operating results of a company in the period of the impairment and in the future period when a gain is recognized upon ultimate sale of the security. Accordingly, we recommend that the Board modify paragraph 12 of the Proposed FSP and add a separate paragraph to address recognition of an impairment loss for a debt security as follows:

12. If a decline in fair value below the amortized cost exists at the measurement date for an debt or equity security and the entity intends to sell the security or it is more likely than not that an entity

will sell the debt-or equity security before recovery of its cost basis, an other-than-temporary impairment exists. If an other-than-temporary impairment exists for an equity security, the entire amount of the impairment shall be recognized in earnings (or the "performance indicator"). The fair value of the investment would become the new cost basis of the investment and shall not be adjusted for subsequent recoveries in fair value.

12A. If a decline in fair value below the amortized cost exists at the measurement date for a debt security and the entity intends to sell the security or it is more likely than not that an entity will sell the security before recovery of its cost basis, an other-than-temporary impairment exists. If an other-than-temporary impairment exists for a debt security, the entire amount of the impairment shall be recognized in earnings (or the "performance indicator") unless it is more likely than not that an entity will not sell the debt security before partial recovery of its cost basis. If partial recovery of cost basis is more likely than not, then an amount of impairment equal to the portion of the cost basis that is not more likely than not of being recovered, including probable credit losses, shall be recognized in earnings (or the "performance indicator"). The written down value of the investment would become the new cost basis of the investment and shall not be adjusted for subsequent recoveries in fair value. The remaining amount of impairment that is more likely than not to be recovered shall be recognized in other comprehensive income.

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We appreciate the opportunity to share our views and recommendations with the Board regarding the Proposed FSP. If you have any questions regarding the contents of this letter please contact Igor Aksyonov at 303.967.8703 at your convenience.

Sincerely,

They Jenun Gregg Sonnen

Senior Vice President and

Chief Accounting Officer

Szor Ahyjoner
Igor Aksyonov

Director

Accounting Policies and Standards