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March 30, 2008

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LETTER OF COMMENT NO.

370

Via email: director@fasb.org

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

Re: File Reference: Proposed FSP FAS 157-e

Dear Mr. Golden,

U.S. Bancorp, the parent company of the sixth largest commercial bank in the United States, with over \$265 billion in total assets, appreciates the opportunity to comment on the Proposed FASB Staff Position No. 157-e, Determining Whether a Market is Not Active and a Transaction is Not Distressed (the "Proposed FSP") which is intended to provide additional guidance on determining whether the market for a financial asset is inactive and whether market prices for a financial asset are distressed.

We strongly agree with the Board's intended purpose to provide additional guidance regarding the determination of inactive markets and distressed transactions. Current market conditions combined with a lack of specific guidance with regard to determining inactive market and distressed prices have resulted in a lack of transparency with regard to fair values of financial assets. These conditions have also contributed to the use of price quotations and limited transaction price data regardless of whether those reflect "orderly transactions" and "usual and customary" market exposure as described in FASB Statement No. 157, Fair Value Measurements. We believe the proposed FSP provides adequate guidance and allows financial statement preparers to exercise judgment when evaluating market conditions and prices. Therefore, we recommend the Board issue the Proposed FSP allowing it to become effective for periods ending after March 15, 2009. Although we support the Proposed FSP, we also believe the guidance could be enhanced to provide more clarity and thereby further achieve the intended objective.

Below are our comments and answers to the Board's specific questions.

1. Is the proposed effective date of interim and annual periods ending after March 15, 2009, operational?

We agree with the proposed effective date. We believe many financial statement preparers have the ability to derive prices using alternative techniques such as cash flow modeling so the Proposed FSP is operational for many financial statement users. The Board might consider allowing additional implementation time for preparers that may need to develop such techniques. If so, we suggest the guidance allow early adoption.

2. Will this proposed FSP meet the project's objective to improve financial reporting by addressing fair value measurement application issues identified by constituents related to determining whether a market is not active and a transaction is not distressed? Do you believe the amendments to Statement 157 in this proposed FSP are necessary, or do you believe the current requirements in Statement 157 should be retained?

We believe the Proposed FSP improves upon Statement 157 by enhancing the discussion of and definition of inactive markets and distressed prices. Therefore, we believe the Proposed FSP meets the objective of addressing constituents' concerns regarding the determination of inactive markets and distressed prices. We recommend, however, the Board consider the following suggested revisions to the Proposed FSP.

- Paragraph 13 of the Proposed FSP states that an entity must presume a quoted price is associated with a distressed transaction unless there is evidence that both of the following criteria are met (i.e. Step 2):
 - a) there was sufficient time before the measurement date to allow for usual and customary marketing activities for the asset, and
 - b) there were multiple bidders for the asset.

We understand the presumption is these conditions exist only in a non-distressed market; however, we believe these factors could be present when a distressed transaction occurs. A forced sale, at a dislocated market price, could occur under conditions of multiple bidders and with sufficient marketing time. Furthermore, we believe that factors other than the two criteria listed in paragraph 13 should be considered in evaluating whether a transaction is distressed. For example, the number of bidders must be evaluated in the context of the customary level of bidding for a financial asset. A low number of bidders may be customary for an emerging market transaction but would not be customary for a financial asset that typically trades at a high volume.

We, therefore, recommend the Board modify paragraph 13 of the Proposed FSP to state that the factors presented are examples to be considered in determining whether a transaction is distressed and to state that other factors may also indicate a distressed transaction. This approach would align Step 2 of the guidance with the guidance presented in the Proposed FSP for determining inactive markets (i.e. Step 1). More importantly, this suggested revision would allow a financial statement preparer to exercise the judgment necessary to evaluate the individual circumstances of each transaction.

- Paragraph 15 of the Proposed FSP discusses that if an entity determines a quoted price is associated with a distressed transaction, the "entity <u>must</u> use a valuation technique other than one that uses the quoted price without significant adjustment" (emphasis added). We believe a variety of techniques could be used to determine the fair value of the financial asset including the quoted price adjusted to reflect a non-distressed price. The quoted price may serve as an important "starting point" from which an entity can determine a non-distressed price and should not be ignored if an entity determines it is a relevant input in determining fair value. Therefore, we recommend the language of paragraph 15 of the Proposed FSP be revised to allow for use of all available relevant evidence in determining the fair value including valuation techniques such as income approach.
- 3. Do you believe the proposed two-step model for determining whether a market is not active and a transaction is not distressed is understandable and operational? If not, please suggest alternative ways of identifying inactive markets and distressed transactions.

As discussed in our response to question 2 above, we believe the criteria discussed in paragraph 13 of the Proposed FSP may be difficult for preparers to implement because there may be other factors to consider in determining whether a transaction is distressed. In addition, it may be operationally difficult to obtain evidence to support the criteria of "sufficient time" "usual and customary" and "multiple bidders" as these conditions are not fully defined in the Proposed FSP. As discussed above, we believe the guidance should be revised to discuss factors to be considered by an entity and allow an entity to exercise the judgment necessary to evaluate the circumstances and conditions of each transaction.

4. Are the factors listed in paragraph 11 of the FSP that indicate that a market is not active appropriate? Please provide any other factors that indicate that a market is not active.

We believe the factors listed in paragraph 11 of the Proposed FSP are appropriate particularly because the Proposed FSP states that the list is not all inclusive.

5. What costs do you expect to incur if the Board were to issue this proposed FSP in its current form as a final FSP? How could the Board further reduce the costs of applying the requirements of the FSP without reducing the benefits?

We do not expect to incur significant additional costs to apply the requirements of the Proposed FSP.

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We appreciate the opportunity to submit our views and would be pleased to discuss our comments with you at your convenience. Please contact me at (612) 303-4352 with questions or if you need additional information.

Sincerely,

Craig E. Gifford

Chief Accounting Officer

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