



National Association of State Boards of Accountancy

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Robert H. Herz, Chairman
Financial Accounting Standards Board
401 Merritt 7
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By mail and e-mail to director@fasb.org

Reference: Proposed FSP FAS 157-e

Dear Chairman Herz:

The primary mission of each State Board of Accountancy is to protect the public through regulation, as well as work with governmental entities, both Federal and State. We, along with Federal and International regulators, represent and serve the public. The mission of NASBA is to enhance the effectiveness of state boards of accountancy which have been established to protect the citizens of the individual states and jurisdictions. As we listen to the arguments pertaining to fair market value accounting, we feel compelled to respond in the interest of public protection on behalf of those state boards.

In response to the March 12 hearing of the House Financial Services Subcommittee on Capital Markets, Insurance and Government-Sponsored Entities and the specific bipartisan sentiments on fair value accounting expressed by members of the House of Representatives, the FASB has agreed to condense the due process exposure period. NASBA is hopeful that this timing modification will sufficiently reduce, or eliminate, the desire expressed by the Congressional representatives to initiate changes in fair value accounting by legislation.

NASBA acknowledges the responsibility of Congress in responding to the concern of its constituents; however, with respect to fair market value accounting principles and the FASB, the public interest is better served through a time-tested process which purports to be independent of external forces. The threat to a standard setting body which may be subject to pressure from Congress compels us to cite the following cautions and reservations.

- The FASB is the most trusted and effective global accounting standards regulator in the world. The FASB has provided the U.S. capital markets with the all-important confidence and trust in financial reporting. They have accomplished this based on their expertise, representation of relevant stakeholders on the board and advisory groups, full due process for stakeholders and most critical their independence from political and special interests. They have operated successfully for over 35 years under the SEC's oversight. We hope that Congress recognizes the value of maintaining the FASB in its present role.

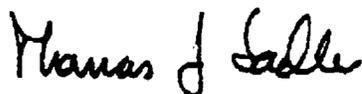
- The role of financial accounting is to provide valid and representative financial reporting. Fair value accounting is not the cause of our current financial problems. The root causes are a host of economic, legal, business regulatory and behavioral conditions and decisions. To require a hasty modification of fair value accounting will not cure these causes. On the contrary, it may permit future declines to remain undetected for a considerably longer time causing even more damage to the economy.
- The change proposed in this exposure draft may diminish the relevancy of financial reporting and the confidence in the capital markets that has been the strength of the U.S. globally. At this critical time we need to enhance faith and confidence in our capital markets, its standards and regulation. Investors and creditors desire to have standards and regulatory structures that increase their confidence rather than further erode it.
- Investors, creditors and others that have the ability to perform in-depth analysis on the financial reporting may not be persuaded by the proposed changes. Ultimately, the increased confidence in the banks and others in making their investment and credit decisions is not assured and the desired economic benefit may not be realized.
- Fair value accounting is a complex issue and efforts should be directed toward improving the goal of reflecting economic reality as closely as possible, not on diminishing the relevancy to the capital markets and rational decision makers.
- Other economic and regulatory remedies need to be pursued, such as modifying and modernizing regulatory capital requirements of financial institutions as well as other reasoned methods.

The credibility of a standard setter is based on independence, transparency, and technical expertise. We must preserve the reputation of an organization recognized worldwide as the model of independence, transparency, collaboration and thoughtfulness in the development and promulgation of accounting standards. Accounting standards made for the latest crisis will result in financial statements tainted by special interests and rendered deficient by the law of unintended consequences. While we understand the pressure exerted by Congressional representatives in an attempt to stabilize the underlying fundamentals of economic recovery, NASBA will continue to support the FASB in its efforts to promulgate high quality standards in an independent environment.

Sincerely,



David A. Costello, CPA
President and Chief Executive Officer



Thomas J. Sadler, CPA
Chairman