

FINANCIAL ACCOUNTING FOUNDATION

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October 27, 2008

The Honorable Christopher Cox
Chairman
Securities and Exchange Commission
100 F Street, Mail Stop 1070
Washington, DC 20549

Dear Chairman Cox:

The Financial Accounting Foundation (FAF) is the independent, private-sector organization responsible for the oversight of the Financial Accounting Standards Board (FASB). The Board of Trustees of the FAF does not take positions on the FASB's standards; we leave that complex task to the experts who comprise the FASB. However, we care deeply about the integrity and independence of the standard-setting process and believe strongly that such independence, exercised in an open process that is free from political intervention, is the cornerstone of effective, reliable financial accounting and reporting standards.

During the congressional debate of the Emergency Economic Stabilization Act (EESA), we wrote to the Honorable Barney Frank, Chairman of the House Finance Services Committee, urging him to reject calls for legislation to overturn or suspend FASB Statement 157 on fair value measurements. The letter, dated October 2, 2008, (copy enclosed) stated that legislation to overturn a FASB standard would undermine investor confidence and threaten the independent process for establishing accounting standards. It further stated that any changes to accounting standards should be made through the FASB's open due process and without political interference that could cause a loss of investor confidence.

As enacted, EESA does not contain any provisions to override Statement 157. Notwithstanding the U.S. Congress' rejection of any such provisions, we are aware of new appeals, this time to the United States Securities and Exchange Commission (SEC), to: override the recently issued FASB Staff Position (FSP FAS 157-3); suspend a proposal on the accounting for securitizations; and, pending Congressional review of the study mandated by the EESA, suspend work on any project that would require fair value in any future accounting standard. For the reasons discussed in the balance of this letter, we believe that it would be detrimental to investor confidence to overturn a FASB standard or otherwise suspend or restrict the independent standard-setting activities of the FASB in the current economic environment and in response to political pressure from some financial industry groups.

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The SEC long ago recognized the importance of an independent, private-sector body, free from political influences, but subject to the oversight of the SEC, to serve as the standard-setting body. Since 1973, the FASB has served as that independent body and, in so doing, has regularly consulted and conferred with the SEC on financial accounting issues. This long-proven, balanced interaction between the FASB and the SEC has ensured accountability of the FASB through appropriate SEC oversight and served well to shield the FASB from political influences that could inappropriately skew the development of otherwise sound accounting principles.

The Board of Trustees believes that the FASB has operated and continues to operate effectively, in cooperation with the SEC, and in the interest of investors and other users of financial information. After the September 30, 2008, issuance of the SEC/FASB joint press release on the need for additional guidance on valuing certain financial assets in inactive markets, the FASB acted quickly to provide additional guidance on the application of Statement 157 to financial assets by issuing on October 10, 2008, FSP FAS 157-3. The FASB issued such FSP under an expedited due process to respond to what the FASB, in consultation with the SEC, considered an emergency. However, even in that accelerated process, the FSP was the subject of two open FASB meetings, and over 100 comment letters were received and considered before the FASB issued the final FSP.

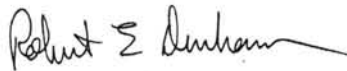
We believe that the open, participatory and transparent processes that the FASB consistently follows in developing and reviewing each of its standards, including the accelerated processes followed in the FASB's issuance of FSP FAS 157-3, demonstrates the continued efficacy, integrity and reliability of the FASB in carrying out its important functions delegated to it by the SEC to establish and improve financial accounting and reporting standards. These efforts are further supported by the SEC's active participation in the FASB's due process procedures and regular consultation with the FASB on matters of importance.

We acknowledge that the current financial crisis is testing the limits of investor confidence. We also acknowledge that extreme measures are being taken on many fronts to restore and stabilize investor confidence. However, we believe that action by the SEC to overturn a FASB standard, in the present context of enhanced investor concern about transparency of financial information relating to financial institutions and political pressure from some industry interest groups seeking to reduce transparency, will exacerbate investors' concerns about the reliability of financial information and further erode market conditions.

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We urge the SEC to reject the current appeals to overturn FASB standards, thus reassuring the markets that the SEC, by exercising appropriate participation and statutory oversight of the FASB, is committed to the continuation of the FASB's independent standard-setting processes.

Sincerely,



Robert E. Denham
Chairman, Financial Accounting Foundation

cc: Secretary Paulson, U.S. Department of the Treasury
Chairman Bernanke, Federal Reserve System
Chairman Bair, Federal Deposit Insurance Corporation
Comptroller Dugan, Office of the Comptroller of the Currency
Director Reich, Office of Thrift Supervision
Commissioner Aguilar, Securities and Exchange Commission
Commissioner Casey, Securities and Exchange Commission
Commissioner Paredes, Securities and Exchange Commission
Commissioner Walter, Securities and Exchange Commission
Conrad W. Hewitt, Chief Accountant, Securities and Exchange Commission