



March 1, 2007

Mr. Robert H. Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Fast-Tracking Discontinued Operations from the Financial Statement Presentation Project

Dear Mr. Herz:

The Dealer Accounting Committee of the Securities Industry and Financial Markets Association¹ (“SIFMA”) would like the FASB to “fast track” the presentation of discontinued operations from the joint FASB/IASB financial statement presentation project (FSPP).

Fast-tracking would provide expedited relief from the broad requirement in Statement 144 to present discontinued operations whenever a “component of an entity” is disposed of, provided there is not a continuation of activities or continuing involvement with the disposed component.

Our members encounter this issue each time they dispose of a consolidated private equity or real estate investment. Such investments typically qualify as components because they generally have “operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.” Unless there is a continuation of activities or continuing involvement with the disposed component, Statement 144 requires separate reporting of discontinued operations and restatement of prior periods. If numerous disposal transactions occur that give rise to discontinued operations, an entity would be required to continually restate its financial statements.

Fundamentally, we do not believe reporting discontinued operations each time we dispose of a consolidated private equity or real estate investment provides meaningful information to users of our financial statements.² We invest for income, capital

¹ The Securities Industry and Financial Markets Association brings together the shared interests of more than 650 securities firms, banks and asset managers. SIFMA's mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services and create efficiencies for member firms, while preserving and enhancing the public's trust and confidence in the markets and the industry. SIFMA works to represent its members' interests locally and globally. It has offices in New York, Washington D.C., and London and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong.

² We believe discontinued operations reporting would be appropriate if we were to dispose of our private equity or real estate *business*.

appreciation or both and our objectives are independent of whether we consolidate an investment. We believe reporting our investment results in revenues is more representationally faithful of the underlying economic activity.

We are aware of the pending issuance of the AICPA Statement of Position, *Clarification of the Scope of the Audit and Accounting Guide, Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies* and Proposed FSP FIN 46(R)-d, "Application of FIN 46(R) to Investment Companies." While the issuance of these accounting standards may provide relief from the discontinued operations issue, we do not believe this should preclude fast-tracking and addressing the fundamental issue: the scope for reporting discontinued operations is much too broad.

Both the FASB and the IASB have acknowledged the fundamental issue and both Boards recently voted to change the reporting threshold to the operating segment level as defined in Statement 131, with expanded footnote disclosure for disposal transactions that do not meet that trigger. We support that change and applaud both Boards for that decision.

This leaves the issue of timing. The FSPP is complex and several years from completion, perhaps in 2010-2011. While we understand this is a joint project, US GAAP constituents have a pressing need for relief. We believe resolution of this issue should not, and need not, be delayed until then. Hence, we ask for fast-tracking. We agree with the views expressed by one Board member at the January 24 meeting; that is, since most of the key decisions have already been made related to discontinued operations, addressing the issue separately and issuing guidance solely on discontinued operations should not require much additional work.

If you have any questions about the comments above, please feel free to contact the undersigned (212-357-8437; matthew.schroeder@gs.com) or Jerry Quinn (212-618-0507; jquinn@sia.com) or Kyle Brandon (212-618-0580; kbrandon@sifma.org) the staff advisors to the Committee.

Sincerely yours,

Matthew Schroeder
Chair
SIFMA Dealer Accounting Committee

Copy to: Members of the FASB
Sir David Tweedie, IASB
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Elizabeth Hickey, IASB
Lawrence W. Smith, FASB
Wayne Upton, IASB
Paul Beswick, FASB