



Securities Industry Association

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April 5, 2006

Mr. Larry Smith
Director – Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

**Re: File Reference No. 1250-001, Proposed Statement of Financial Accounting Standards,
*The Fair Value Option for Financial Assets and Financial Liabilities***

Dear Mr. Smith:

The American Securitization Forum (“ASF”), the International Swaps and Derivatives Association (“ISDA”), the Securities Industry Association (“SIA”) and The Bond Market Association (“TBMA”) are pleased to offer the following comments in response to the Financial Accounting Standards Board’s (“FASB” or “Board”) Proposed Statement of Financial Accounting Standards, *The Fair Value Option for Financial Assets and Financial Liabilities* (the “Exposure Draft”).

The comments that follow were developed and are being presented jointly by a working group (the “Joint Industry Working Group” or “JIWG”) composed of representatives of the respective accounting policy committees of ASF, ISDA, SIA and TBMA. Collectively, the membership of these committees have substantial professional expertise and practical experience addressing the accounting policy issues and questions raised by this tentative guidance with respect to financial instruments. A description of our organizations is contained in Attachment I.

The JIWG is strongly supportive of the Exposure Draft and the election to measure financial assets and liabilities at fair value (the “Fair Value Option”). We believe the Fair Value Option represents an improvement to financial reporting as it helps to minimize the challenges caused by the mixed attribute accounting model. Although we understand the concerns about comparability of financial statements that will arise by having some financial assets and liabilities measured at fair value and others not, we believe appropriate disclosures are sufficient to enable users of financial statements to understand the impact of electing the Fair Value Option. While we would like the Board to consider the comments below, our members strongly believe that the Board should not in any way delay the issuance of a final Statement as a result of these comments. We hope you find the comments informative and beneficial.

CONCURRENT DOCUMENTATION

Paragraph A3(b) of the Exposure Draft explains that one of the reasons the Board is considering use of a Fair Value Option is because it will allow for offset accounting without applying complex hedge accounting provisions. Paragraph 6 of the Exposure Draft states that one of the requirements to use the Fair Value Option is concurrent supporting documentation.

Although the Board believes that use of the Fair Value Option will allow fair value accounting of certain financial assets and financial liabilities without the complexity associated with hedge accounting, we are concerned that many entities will be unable to avail themselves of the election due to the challenges associated with satisfying the concurrent documentation requirement.

Although the Board's rationale for requiring concurrent documentation is not identified in the Exposure Draft, we believe the Board has made this requirement as an anti-abuse provision to prevent companies from retroactively applying the Fair Value Option as a means to manage earnings. We can understand this concern; however, we have reservations about addressing what we consider to be a company's internal control matters within the confines of an accounting standard. We believe that the documentation should be required as part of the monthly close process and that it should be part of a company's procedures supporting its internal controls. However, in order to prevent misuse of the Fair Value Option and meet the Board's objectives of operationality and cost/benefit concerns, the Board could consider an alternative solution that requires documentation to be complete sometime after trade execution, but before month end.

SCOPE

We strongly support the Fair Value Option and believe it should be applied consistent with the scope set forth in the Exposure Draft. Further, we support the Board's decision to move forward quickly with Phase 1 of the project and strongly encourage the continued efforts in Phase 2 of the project. Rather than the possibility of delays in the Exposure Draft due to debate over its scope, we recommend that the Board consider conducting the second phase of the project in sub-phases. The first sub-phase could address certain financial instruments and nonfinancial instruments that are not within the scope of the Exposure Draft, but could be addressed in a relatively short period of time, such as written loan commitments not accounted for as derivatives, demand deposit liabilities, forward and option contracts on commodities, physical commodities and investments in real estate. For those items the Board believes will be more difficult to address, we recommend the Board consider deliberating these in a second sub-phase.

Additionally, the Board notes at the end of paragraph A6 in the Basis for Conclusions that deferred tax assets/liabilities are not within the scope of the Exposure Draft.

“The Board also affirmed that the election of the fair value option is not permitted for current or deferred income tax assets or liabilities because such assets and liabilities are not contractual and, thus, are not financial assets or financial liabilities.”

We believe that this provision is significant and should be stated in the scope of the Standard section of the final document, as well as in the Basis for Conclusions.

CONCLUSION

The JIWG appreciates the opportunity to provide the foregoing comments and reiterates its support for the expeditious issuance of a final Statement. Should you have any questions or desire any clarification concerning the matters addressed in this letter please do not hesitate to contact any of the undersigned at the telephone numbers provided, or Robert Pickel, Director and CEO of ISDA at 212.901.6020 or Jerry Quinn, Vice President and Associate General Counsel of SIA at 212.618.0507.

Sincerely,

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Attachment I

The American Securitization Forum (the “ASF”), an adjunct forum of The Bond Market Association, is a broadly-based professional forum of participants in the U.S. securitization market. Among other roles, the ASF members act as issuers, underwriters, dealers, investors, servicers and professional advisors working on securitization transactions. More information about the ASF and their respective members and activities may be found at the ASF’s internet website, located at www.americansecuritization.com.

ISDA is the global trade association representing leading participants in the privately negotiated derivatives industry. ISDA was chartered in 1985, and today has more than 600 member institutions from 46 countries on six continents. These members include most of the world’s major institutions that deal in privately negotiated derivatives, as well as many of the businesses, governmental entities and other end users that rely on over-the-counter derivatives to manage efficiently the financial market risks inherent in their core economic activities. Information about ISDA and its activities is available on the Association’s web site: www.isda.org.

The Securities Industry Association brings together the shared interests of approximately 600 securities firms to accomplish common goals. SIA’s primary mission is to build and maintain public trust and confidence in the securities markets. SIA members (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. According to the Bureau of Labor Statistics, the U.S. securities industry employs nearly 800,000 individuals, and its personnel manage the accounts of nearly 93 million investors directly and indirectly through corporate, thrift, and pension plans. In 2004, the industry generated \$236.7 billion in domestic revenue and an estimated \$340 billion in global revenues. (More information about SIA is available at: www.sia.com.)

The Bond Market Association (“the Association”) represents securities firms and banks that underwrite, distribute and trade debt securities domestically and internationally. The Association’s member firms account for in excess of 95 percent of all primary issuance and secondary market trading activity in the U.S. debt capital markets, including the issuance, underwriting and trading of securitized instruments. More information about the Association and its members and activities may be found at its internet website, located at www.bondmarkets.com.