March 27, 2009

**BY EMAIL TO: director@fasb.org**

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

Re: Proposed FASB Staff Position No. 157-e, *Determining Whether a Market is Not Active and a Transaction is Not Distressed*

Dear Mr. Golden:

The Dealer Accounting Committee of the Securities Industry and Financial Markets Association[1] is pleased to offer you our comments on the above-captioned proposed FASB Staff Position (the "proposed FSP"). The Committee consists of large, internationally active dealers that operate across the full spectrum of the global capital markets. Committee members have extensive practical experience in the application of fair value measurements. All of our members actively participated in the October 2008 report of the IASB Expert Advisory Panel, *Measuring and disclosing the fair value of financial instruments in markets that are no longer active*.

The Committee does not support the proposed FSP in its current form. We are very concerned about the presumption in the proposed FSP that all transactions in inactive markets are associated with distressed transactions unless proven otherwise. We believe this presumption directly contradicts the conceptual framework, where transactions are presumed to have been freely negotiated on an arm's-length basis. More importantly, it is highly unlikely that each piece of pricing information in the possession of a reporting entity is associated with a distressed transaction. As a result, relevant pricing information related to non-distressed transactions could be discarded, resulting in fair value measurements that do not reflect exit values.

[1] The Securities Industry and Financial Markets Association brings together the shared interests of more than 600 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.

Nevertheless, we are mindful of the task before the Board. We understand certain constituents are demanding guidance, primarily those with little or no capacity for price discovery. We believe the proposed FSP would be improved if it were based on the work of the IASB Expert Advisory Panel mentioned above. We believe the analysis of whether or not pricing information is associated with a distressed transaction should be based on all relevant facts and circumstances. In an effort to better assist the Board and Staff, we have attached our proposed revisions to certain paragraphs of the proposed FSP.

We also are concerned about the lack of due process and the limited comment period. Rushed projects increase the probability of unintended consequences. Because Statement 157 is applied across a wide variety of fair value measurements and not just toxic assets, the proposed FSP could, for example, impact the subsequent accounting for business combinations which are based on initial measurements under Statement 157.

We believe the effective date of the proposed FSP should be for interim or annual periods ending after June 15, 2009 and not March 15, 2009. It is unrealistic to expect that all financial institutions will be in a position to implement a standard that will be issued several days after quarter end with a retroactive effective date. We would permit early application as a practical alternative. We agree that any change in fair value as a result of applying the proposed FSP should be accounted for prospectively as a change in accounting estimate.

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 (212-313-1207; jquinn@sifma.org) or Kyle Brandon (212-313-1280; kbrandon@sifma.org) the staff advisors to the Committee.

Sincerely,

Matthew L. Schroeder
Chair
SIFMA Dealer Accounting Committee

Attachment

13. If the reporting entity concludes in step 1 that the market for the asset is not active, then the reporting entity will proceed to step 2. In step 2, the reporting entity must evaluate whether the pricing information in its possession is associated with a distressed transaction. A reporting entity shall use judgment and not automatically conclude the pricing information is or is not associated with a distressed transaction. Step 2 provides factors that indicate whether pricing information is associated with a distressed transaction. Those factors should not be considered all inclusive because other factors may also indicate whether the pricing information is associated with a distressed transaction. Factors include:

a) A legal requirement to transact, for example a regulatory mandate
b) A necessity to dispose of an asset immediately and there is insufficient time to market the asset to be sold
c) The existence of a single potential buyer as a result of the legal or time restrictions imposed

14. If the reporting entity concludes the pricing information is not associated with a distressed transaction, the pricing information may be a relevant observable input that should be considered in estimating fair value. However, the reporting entity should consider whether any other factors or conditions warrant making an adjustment to the pricing information as discussed in paragraph 29 of Statement 157. For example, if the pricing information that is not associated with a distressed transaction is not current or is a consequence of a trade with an insignificant volume relative to the total market for that asset, the reporting entity should consider whether that pricing information is a relevant observable input (that is, whether the pricing information requires adjustment).

15. If the reporting entity concludes the pricing information is associated with a distressed transaction, the reporting entity must use a valuation technique other than one that uses that pricing information without significant adjustment. For example, the reporting entity could use an income approach, such as a present value technique to estimate fair value. The inputs to the present value technique should reflect an orderly transaction between market participants at the measurement date. An orderly transaction would reflect all risks inherent in the asset, including a reasonable risk premium for bearing uncertainty that would be considered by market place participants in pricing the asset in a non distressed transaction based on current market conditions at the measurement date. The reporting entity's valuation technique must be consistent with the exit price objective of Statement 157.

**Effective Date and Transition**

16. This FSP shall be effective for interim and annual periods ending after June 15, 2009, and shall be applied prospectively. Early application is permitted.

A32F. Entity A estimates a range of possible rates of return from 7 percent (based on an estimated rate of return for the collateralized debt obligation in a hypothetical active market at the measurement date) to 15 percent (based on bid-level yields implied by the difference between the contractual cash flow amount and the most likely cash flow estimate adjusted for a reasonable risk premium due to uncertainty). Because 7 percent is an estimated price in an active market and not a rate that willing buyers would accept in an inactive market and 15 percent is not a rate that willing sellers would accept, Entity A uses its best estimate of 12 percent (see paragraph 31).