

MEMORANDUM

October 15, 2008

To: File No. 4-573

From: Scott H. Kimpel
Office of Commissioner Troy A. Paredes

Re: Fair Value Accounting

On October 2, 2008, Scott H. Kimpel, Counsel to Commissioner Troy A. Paredes, met telephonically with Thomas Quadman, Executive Director for Financial Reporting Policy and Investor Opportunity, Center for Capital Markets Competitiveness, U.S. Chamber of Commerce. The participants discussed fair value accounting. A copy of a letter subsequently transmitted by Mr. Quadman is attached.

Attachment



CENTER FOR CAPITAL MARKETS

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September 26, 2008

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

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom

Dear Mr. Herz and Sir Tweedie:

The United States Chamber of Commerce created the Center for Capital Markets Competitiveness (“CCMC”) to promote a modern and effective regulatory structure for capital markets to fully function in a 21st century economy. The CCMC has viewed financial reporting policy as a vital portion of its agenda.

The global financial system is being subjected to serious stresses and strains that may threaten the stability of the global economy. While all of the causes of the current crisis may not be known, flaws throughout the financial regulatory structure contributed to the problem. Some weaknesses in our financial reporting policy have been exposed exacerbating the current crisis and leading to less transparency and clarity for investors. It behooves us all to find the extent of those weaknesses and correct them as quickly as possible.

Over the past several years, both the Financial Accounting Standards Board (“FASB”) and the International Accounting Standards Board (“IASB”) have instituted

Mr. Robert Herz
Mr. David Tweedie
September 26, 2008
Page Two

a series of standards advancing a regime of fair value principles. Proponents and detractors of fair value equally hold strong opinions of this system of accounting. Proponents feel that fair value has promoted transparency and exposed problems in the financial markets. Critics of fair value have stated that the use of mark to market is inherently pro-cyclical forcing drastic write down of assets and liabilities in an illiquid market. As the financial crisis has unfolded, critics have complained that these write downs have drastically undervalued assets that retain substantial worth. In recent days, many have called for a suspension or overturning of fair value rules. While well intentioned, changing rules in midstream may force the markets to reevaluate valuations causing further corrections degrading an already precarious financial situation.

Nevertheless, we are facing a situation where the United States economy is beset by blockages in the credit markets inhibiting capital formation. This is not a time to affix blame one way or the other; rather we must right the ship and do so quickly. Accordingly, we would request that FASB and IASB undertake the following:

- 1) An emergency review of fair value standards, particularly concentrating on the unintended consequences of the implementation of the current standards;
- 2) The development and implementation of remedial action necessary to correct problems detected in the emergency review;
- 3) A broad review of accounting standards and a comprehensive plan of action to address shortcomings in the financial reporting process; and
- 4) A review of the development of accounting standards and a feasibility study made of the testing of proposed standards for economic impact.

We would further recommend that these emergency and long-term actions be undertaken as joint FASB-IASB projects to assist in the goals of convergence of international standards and promoting transparency and accurate reporting globally.

If we fail to address this crisis now, the global economy faces long-term dire consequences that may cause unnecessary dislocations and pain.

Mr. Robert Herz
Mr. David Tweedie
September 26, 2008
Page Three

The CCMC stands prepared to assist your organizations in any manner should you wish to conduct this review. I look forward to your response.

Sincerely,



Richard Murray
Chairman
U.S. Chamber of Commerce
Center for Capital Markets Competitiveness

Enclosures

cc: The Honorable Christopher Cox, Chairman, Securities and Exchange
Commission
The Honorable Kathleen L. Casey, Commissioner, Securities and Exchange
Commission
The Honorable Elisse B. Walter, Commissioner, Securities and Exchange
Commission
The Honorable Luis A. Aguilar, Commissioner, Securities and Exchange
Commission
The Honorable Troy A. Paredes, Commissioner, Securities and Exchange
Commission
Board of Directors, Financial Accounting Standards Board (FASB)
Board of Directors, International Accounting Standards Board (IASB)