CENTER FOR CAPITAL MARKETS COMPETITIVENESS

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Ms. Florence E. Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. 4-573

Dear Ms. Harmon:

The U.S. 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. We commend the Securities and Exchange Commission ("SEC") for conducting a thorough study of mark to market accounting including roundtables with and other input from a wide range of market participants.

We wish to supplement our earlier comments and reiterate that accounting must mirror economic activity, not drive it. The CCMC suggests that the SEC adopt the recommendations made this past summer by the Advisory Committee on Improvements to Financial Reporting ("CIFIR"), and reform the accounting standards setting development and governance processes to test the real world implications of standards before they are implemented, as well as their effectiveness post-implementation.

Fully functioning capital markets are the driving force for a prosperous and growing economy. The current crisis has strained the global financial system and weaknesses in financial reporting policy may have exacerbated the conditions leading to the present turmoil. While we recognize that difficulties in the financial markets can not always be avoided, a robust system to review accounting standards will allow the Financial Accounting Standards Board ("FASB") to continually monitor financial reporting systems to insure the clear conveyance of information, and not place unintended stress upon the markets.

Reforming the Development and Implementation of Accounting Standards

The recent implementation of FAS 157, and the pro-cyclical aspects of mark to market accounting, have been blamed for drastic write downs in inactive markets. While the recent joint actions by the SEC and FASB have sought to alleviate some of these harsh impacts, the question must be asked if the unintended consequences arising from the implementation of FAS 157 could have been avoided.

A comprehensive system to test accounting standards in the development, implementation and post-implementation stages should act as an early warning system to alert FASB, the SEC, investors, preparers and the business community to potential issues and give FASB and the SEC an opportunity to resolve them. This system must be structured transparently in order for a review to be thorough. An early warning system will also allow for the swift development of corrective measures to be taken before real adverse economic conditions impact the financial markets.

Accordingly, we believe that the implementation of recommendations contained in the CIFIR report should be adopted, specifically:

1. The creation of a Financial Reporting Forum, made up of preparers, auditors and investors. The Financial Reporting Forum would meet and work with the SEC, FASB and the Public Company Accounting Oversight Board ("PCAOB") to identify and relieve immediate and long-term pressures on the financial reporting system;

2. In developing standards, FASB should enhance field work during the development of standards including cost benefit analysis, field visits and pilot testing;

3. Post adoption review of each standard, within a specified time period, to identify and correct problems caused by unintended consequences.

This review should also evaluate if a standard is achieving its intended purpose; and

4. The establishment of a mechanism for a periodic review of all accounting standards to keep them current. Such a review will assess standards and recommend changes if those standards are no longer fulfilling their purpose.

This robust system of testing and review will require a great deal of effort and diligence on the part of standard setters. However, such an effort will allow for the identification and resolution of issues before they reach a crisis stage.

All Financial Regulators Should be Consulted During Standards Development and Implementation

The recent crisis has highlighted how accounting standards may impact other rules governing financial regulation, such as capital adequacy requirements. These potential impacts may not be considered as standards are developed and could lead to unintended consequences driving economic activity, or causing economic dislocations that may entail significant remedial actions. Accordingly, we would recommend that a system be established for FASB to consult with the appropriate financial regulators to determine how the development of accounting standards may impact other rules and regulations, and take appropriate action as needed.

Auditing Impacts of Fair Value Should be Studied

In light of the joint SEC and FASB actions giving clarification on FAS 157, the CCMC, on October 14, 2008, wrote to the PCAOB requesting that similar guidance be given to auditors (copy attached). While mark to market accounting receives the lion share of attention in the current debate, we must not forget that the entire financial reporting system should be studied in the current crisis. Therefore, we would recommend that the impacts of mark to market on auditing be studied as well.

Allowing the Use of Judgment and Avoidance of Implementation Inhibitors

Finally, it must be reemphasized that any solution should enable preparers and auditors to exercise some defined degree of prudent business judgment. Implementation inhibitors, such as reasonable fears of liability, must

be avoided in the application of policy solutions. The use of safe harbors, or official guidance, in the exercise of reasonable prudent business judgment is essential for the strengthening of financial reporting structures in the wake of the current crisis.

Conclusion

Some have suggested that the implementation of mark to mark accounting rules has negatively impacted capital markets. Moving forward, we believe that an early warning system will allow for an enhanced level of review as accounting standards are developed and implemented. While such a framework cannot identify or solve all issues, a comprehensive system of review will allow for risk assessments throughout the entire financial reporting and regulatory structure. These systems will give our capital markets the nimbleness and flexibility needed for a growing 21st century economy.

The CCMC understands the unique pressures faced by regulators in a time of crisis and stands prepared to assist the SEC in any manner. Thank you for your consideration in this matter.

Sincerely,

Richard Murray
Chairman
United States Chamber of Commerce
Center for Capital Markets Competitiveness

cc: The Honorable Christopher Cox, Chairman, U.S. Securities and Exchange Commission
The Honorable Luis Aguilar, Commissioner, U.S. Securities and Exchange Commission
The Honorable Kathleen Casey, Commissioner, U.S. Securities and Exchange Commission
The Honorable Troy Paredes, Commissioner, U.S. Securities and Exchange Commission

The Honorable Elise Walter, Commissioner, U.S. Securities and Exchange Commission
Robert Herz, Chairman, Financial Accounting Standards Board
Sir David Tweedie, Chairman, International Accounting Standards Board