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October 13, 2008

Mr. Christopher Cox
Chairman
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Dear Chairman Cox:

The American Bankers Association greatly appreciated the efforts of the Securities and Exchange Commission (SEC) and its staff to clarify the critical accounting issues that have been raised in connection with the current dysfunctional financial markets. However, the action taken by the Financial Accounting Standards Board (FASB) on October 10, 2008 (FSP FAS 157-3), basically ignores what we believe to be the intent of the SEC's release of September 30, 2008. Given the importance of this issue, the impact it has on the crisis in the financial markets, and the seeming inability of the FASB to address in a meaningful way the problems of using fair value in dysfunctional markets, we believe it is necessary for the SEC to use its statutory authority to step in and override the guidance issued by FASB. Such action is necessary to meet the SEC's obligation to provide relevant, reliable, and useful information to the users of financial statements.

During the FASB Board meeting on October 10, 2008, the Chairman of the FASB stated that the FASB probably did not contemplate the current situation when it wrote SFAS 157. Last week the FASB had the opportunity to provide useful guidance with FSP FAS 157-3, but it apparently *still* refuses to recognize the realities of the current situation. The FSP is circular. It begins with improved guidance with respect to the ability to use judgment, the notion that broker quotes may only need to be a part of the valuation process, the fact that forced liquidations or distressed sales do not represent genuine fair value, and a more realistic use of observable and unobservable data. However, it then requires that liquidity risk, from the buyer's perspective, be included in the cash flow calculation. This requirement brings the guidance full circle back to distressed sale values. The use of distressed sale prices neither represents genuine fair value nor provides useful information to users of financial statements.

In addition, the accounting guidance is too narrow and too complex to be used by either large or small banks. Large banks have too many transactions to which the complicated FSP would apply; small banks do not have the resources to perform the procedures. The SEC should consider whether registrants and their auditors can

actually apply the FSP, which is required for third quarter financial statements. Additionally, the FSP did not address “other than temporary impairment” in an illiquid market, which is a key issue that needs to be resolved. It is extremely important that these issues be resolved in a manner such that they can be implemented for third quarter reporting.

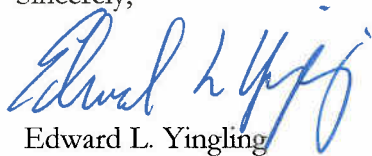
According to reports, European authorities are moving to address the problems of using fair value in dysfunctional markets. In fact fifteen European countries met in Paris yesterday, and a draft “Declaration on a Concerted European Action Plan of the Euro Area Countries” was made available to the public. The draft “Declaration” states: “Under current exceptional circumstances, financial institutions should be allowed to value their assets consistently with risk of default assumptions rather than immediate market value which in illiquid markets may be no longer appropriate.” These recommendations are similar to ones that the ABA made to the SEC and the FASB, designed to accomplish basically what this “Declaration” states, but the FASB has, as a practical matter, rejected meaningful change at this crucial time.

The ABA requests that the SEC immediately take the following steps:

- Override FSP FAS 157-3 and replace it with guidance that clarifies that fair value in an illiquid market does not include forced or distressed sales.
- Provide guidance on “other than temporary impairment” as requested in ABA’s letters to the SEC and to the FASB.
- Suspend the proposal on accounting for securitizations.
- Suspend work by accounting standards setters on any projects that would require fair value in any future accounting standards pending Congressional review of the study mandated by the Emergency Economic Stabilization Act.

Our goal is to provide users of financial statements with relevant, reliable, and useful information. The FASB guidance does not permit that. Simply put, the FASB has failed to take the necessary actions. We realize that we are requesting extraordinary action by the SEC, but it is the SEC, not the FASB, that has the legal authority and responsibility for accounting standards. These extraordinary and difficult times call for such prompt and extraordinary action.

Sincerely,



Edward L. Yingling

cc: Secretary Paulson, US Department of the Treasury
Chairman Bernanke, Federal Reserve System
Chairman Bair, Federal Deposit Insurance Corporation
Comptroller Dugan, Office of the Comptroller of the Currency
Director Reich, Office of Thrift Supervision