



committee on corporate reporting

November 5, 2009

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

The Honorable Spencer Bachus  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Frank and Ranking Member Baucus:

We are writing on behalf of the Committee on Corporate Reporting (“CCR”) of Financial Executives International (“FEI”) to address the concept of a new oversight board that would approve and oversee accounting principles and standards (i.e. Federal Accounting Oversight Board). We respectfully request that accounting standards oversight should remain under the jurisdiction of the U.S. Securities and Exchange Commission, which is responsible for fair, objective, and transparent reporting for those who invest in our public companies.

FEI is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior financial executives from over 8,000 major companies throughout the United States and Canada. CCR is a technical committee of FEI which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. This document represents the views of CCR and not necessarily the views of FEI or its members individually.

CCR is concerned with recent proposals that would place accounting standards oversight under the jurisdiction of a new oversight board. Acting on such proposals to realign oversight of the Financial Accounting Standards Board (FASB), could change the objectives of financial reporting, harm U.S. capital formation, and potentially politicize the process of setting accounting standards.

The missions of bank regulators and accounting standard setters, although often complementary, are different in their purpose. The mission of bank regulators is to provide financial stability and to ensure the safety and soundness of financial institutions and the banking system. As such, one of their primary responsibilities is to set regulatory capital requirements. In doing so, regulators must take many factors into consideration, including the needs of the economy and the particular circumstances of financial institutions.

However, accounting standard setters have a single mandate: To ensure that investors and the capital markets at large are equipped with the information they need to evaluate companies. The information contained in financial reports plays an essential role in the effective allocation of

capital within the United States; it allows investors to understand the risks facing public and private companies and make informed investment decisions about their value. Moreover, the quality, comparability and reliability of that information is highly reliant on the quality of the financial reporting standards that are used to recognize, measure and report economic activities and events and that are used by auditors in providing assurance that the preparers' recognition, measurement and disclosures are free of material misstatements or omissions. The objective of standard setters must be timely, transparent and understandable financial reports.

Grouping these two functions under the auspices of a single systemic regulator threatens to weaken both missions. For that reason, oversight of accounting standard setting should remain under the jurisdiction of the Securities and Exchange Commission, which is responsible for fair, objective, and transparent reporting to those who invest in our public companies. This oversight was affirmed in adopting the Sarbanes-Oxley Act of 2002, in which Congress recognized the benefits of having accounting standards set by an independent body. Additionally, the SEC and FASB are in the midst of a multi-year process of coordinating U.S. accounting standards with international accounting standards. A new oversight board would bring this process to a halt.

We urge you to reject any efforts to place accounting standard setting under a new oversight board and continue to support independent accounting standard setting in the United States.

If you or your staff have any questions please contact Lorraine Malonza at 973-765-1047 or [lmalonza@financialexecutives.org](mailto:lmalonza@financialexecutives.org).

Sincerely,

A handwritten signature in black ink, appearing to read "Arnold C. Hanish". The signature is fluid and cursive, with a large initial "A" and "H".

Arnold C. Hanish  
Chairman, Committee on Corporate Reporting  
Financial Executives International