



committee on private companies- standards

November 11, 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 Bachus:

We are writing on behalf of the Committee on Private Companies - Standards ("CPC-S") of Financial Executives International ("FEI") to voice our concern with a proposal currently before Congress that would place oversight of the Financial Accounting Standards Board ("FASB") under a new entity as part of a systemic risk regulation council.

We would like to express our support for the recent letter sent by FEI's Committee on Corporate Reporting ("CCR"), and concur that accounting standard setting should remain in the private sector, by an independent accounting standard setter. Additionally, we would like to expand on CCR's points to reflect the unique observations of privately-held 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. CPC-S 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 that impact private companies. This document represents the views of CPC-S.

Privately-held companies make-up the vast majority of American business and comprise the backbone of our economy. In general, users of privately-held company financial statements have different needs for information, and different access to information, than users of public company financial statements. As financial executives from privately-held companies, we would like to emphasize the following:

1. Independence in the standard setting process is paramount.
2. The need to consider the differential needs of private companies in the accounting standards setting process.

Independence in the standard-setting process is paramount

CPC-S is concerned that a new standard-setting authority could harm the current independent standard-setting process. The FASB is an independent standard setting organization, authorized by the federal government (via the Securities Acts and the U.S. Securities and Exchange Commission's delegation to and oversight of the FASB). The goal of the FASB is to set standards in an unbiased manner, and develop the best solution for all organizations, large and small, public and private. As privately-held companies we feel that accounting standard-setting should remain independent to ensure that the needs of all types and sizes of organizations are represented.

The differential needs of private companies should be considered

Just as the Sarbanes-Oxley Act was directed at public companies, but has had an indirect impact on private companies, we are concerned about potential unintended consequences on private companies if a new standard-setting board was placed over the FASB. It is important to remember that FASB standards, and anything that impacts the standard-setting process, can equally impact public and private companies, unless FASB grants specific exemptions for private companies from the specific provisions of particular standards.

As such, cost-benefit implications must be carefully considered, not only in terms of accounting standards themselves, but in terms of any additional layer added to oversee the standard-setting process. Any such additional layer could drive expenditures of resources that would otherwise be used for growth and expansion. Instead, we believe efforts to address the economic crisis should be centered on the actual causes, such as risk management and oversight of lending and other activities entered into by various players in the financial system, rather than adding unnecessary burdens to financial reporting.

If you or your staff have any questions please contact Lorraine Malonza at 973-765-1047 lmalonza@financialexecutives.org.

Sincerely,



William Koch
Chairman, Committee on Private Companies - Standards
Financial Executives International