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COMMITTEE ON CORPORATE REPORTING

May 07, 2010

Robert Herz, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 4166
Norwalk, CT 06856-5116

Sir David Tweedie, Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M6xh
United Kingdom

Re: Impact of the Major Convergence Standards

Dear Mr. Herz and Sir Tweedie:

As Chairman of the Committee on Corporate Reporting (“CCR”) of Financial Executives International (“FEI”), I am writing to express our significant concern that springs from the unprecedented volume as well as the complexity of proposed standards expected to be issued in the coming months. We urge the Boards to consider the adverse effect that is likely to have on the effectiveness of the Board’s due process procedures. We have written to you on this subject previously (see our letter dated February 12, 2010 RE: Effective Dates of New Standards), however, we are concerned that actions will not be taken to scale the number and timing of the Exposure Drafts (“EDs”) in a way that permits a fulsome analysis and thorough response from all interested constituents. Without taking such steps, we believe that it is likely that the Board will need to amend some of these standards subsequent to issuance to address unforeseen issues that inevitably will result from issuing so many standards in such an abbreviated time frame thereby potentially undermining the confidence in our financial reporting system that all of us have worked diligently to restore ever since 2004. We therefore ask that you reconsider this approach. In spite of the call for convergence projects to be completed by June 2011 under the Boards Memorandum of Understanding, grouping the release of EDs to 3 or 4 at a time over an extended period should not jeopardize SEC’s efforts in evaluating if companies should to move to IFRS. We believe that showing reasonable, measured and meaningful progress with clear regard for due process will demonstrate the commitment by the Boards’ to convergence.

FEI is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior financial executives. 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 supports the FASB’s mission to improve the quality and comparability of financial accounting and reporting standards through the Board’s convergence efforts. However, in order to achieve this mission, preparers and other interested constituents must be able to comprehend all of the proposed changes, provide meaningful feedback on

issues with such proposals through consideration of various current and potential future transactions along with testing these standards against existing data. In addition, subsequent to actual approval and adoption by the Boards preparers must manage the implementation of these standards, taking into consideration the associated systems, procedures, control changes and educational efforts to the investor community.

Our member companies are extremely concerned with the 10+ Exposure Drafts (EDs) that are in final stages and will be released for public comment through the third quarter of 2010. During any single period in time in its 38-year history, the FASB has had no more than 3 or 4 significant EDs out for public comment. Moreover, it would be reasonable to characterize a majority of the historical exposure documents as evolutionary proposals rather than the more fundamental changes in accounting and reporting paradigms as are proposed in the forthcoming EDs. In addition, there are numerous interdependencies among the standards that further complicate the analysis. For example, the Financial Statement Presentation project dictates the type of information that a preparer will gather to present the financial information accounted for under the other standards that are also being changed. Similarly, the definition of a liability will dictate the types of assets and liabilities that are accounted for under the scope of the Financial Instruments project. Many of the principles in the Revenue Recognition project are the underlying basis for the proposed lessor accounting model in the Leasing project. These linkages add to the burden and difficulty of conducting a thorough analysis and developing a complete response.

Collectively, we do not believe we have sufficient technical resources in industry to respond effectively to such a large quantity of complex proposals issued over a very short period of time. Even if it were not so, it is not clear to us that the FASB and IASB have the requisite resources to absorb and resolve all of the issues that would be posed by all of these proposed standards in such a compressed time period.

We also note that if we are not able to fully analyze and comment on these proposals, they could end up being finalized without the necessary analysis that our comments relative to real-life transactions, or with limited comments, leading to a large number of implementation issues and potentially significant amendments to the newly issued standards. We make these observations based on experiences with other major, complex standards, such as FIN 46 on Variable Interest Entities. Due to the very abbreviated time frame between issuance of the ED, issuance of the final standard and its effective date, the principles that were fundamental to operation of the standard needed to be amended through issuance of a revised standard (FIN 46R) and a series of subsequent FASB Staff Positions. If that were to occur with these standards, we do not think that type of process would be helpful to investors or preparers.

We note that a separate committee of FEI, FEI's Committee on Private Companies-Standards, shares our concern and has filed a separate comment letter on this point.

We recommend that the FASB identify a representative group of preparers, auditors and financial statement users to identify logical groupings of revised standards and a timetable for the completion of each group that would avoid the types of issues we describe above. We would be pleased to provide representatives to serve on such a group. Please feel free to contact me at Hanish_arnold_c@lilly.com or (317) 276-2024 or Lorraine Malonza at lmalonza@financialexecutives.org if you have any questions.

Sincerely,



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