
SEC Delivers Report to Congress Regarding Results of Study on Fair Value Accounting Standards

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On December 30, 2008, the Securities and Exchange Commission ("SEC") delivered a report to Congress regarding the results of its study of the "mark-to-market" accounting framework provided by Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). (1) This study was mandated by Section 133 of the Emergency Economic Stabilization Act. (2) The 211-page report by the SEC's Office of the Chief Accountant and Division of Corporation Finance addressed the following six key issues:

- the effects of such accounting standards on a financial institution's balance sheet;
- the impacts of such accounting on bank failures in 2008;
- the impact of such standards on the quality of financial information available to investors;
- the process used by the FASB in developing accounting standards;
- alternative accounting standards to those provided in SFAS 157; and
- the advisability and feasibility of modifications to such standards.

Based on its findings presented in the report, the SEC staff (the "Staff") recommended against suspending fair value accounting standards. Instead, the Staff advocated improving existing practice, including reconsidering the accounting for impairments and the development of additional guidance for determining fair value of investments in inactive markets, including situations where market prices are not readily ascertainable.

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