



Council of Institutional Investors
The Voice of Corporate Governance



May 7, 2010

The Honorable Harry Reid
Senate Majority Leader
S-221 The U.S. Capitol
Washington, DC 20510

The Honorable Mitch McConnell
Senate Minority Leader
S-230 The U.S. Capitol
Washington, DC 20510

The Honorable Christopher J. Dodd
Chairman
Senate Banking Committee
534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Richard C. Shelby
Ranking Minority Member
Senate Banking Committee
304 Russell Senate Office Building
Washington, DC 20510

Dear Senators:

As representatives of key stakeholders in the U.S. capital markets, we are writing to discourage the Senate from taking actions that would impact the independence of accounting standard setting. As the Senate considers reforms to the U.S. financial system as part of the Restoring American Financial Stability Act of 2010 (S. 3217), we are concerned with any amendment that would legislate accounting standards, including Brown amendment SA 3853 regarding “Financial Reporting.”

We believe that interim and annual audited financial statements provide investors and companies with information that is vital to making investment and business decisions. The accounting standards underlying such financial statements derive their legitimacy from the confidence that they are established, interpreted and, when necessary, modified based on independent, objective considerations that focus on the needs and demands of investors – the primary users of financial statements. We believe that in order for investors, businesses and other users to maintain this confidence, the process by which accounting standards are developed must be free – both in fact and appearance – of outside influences that inappropriately benefit any particular participant or group of participants in the financial reporting system to the detriment of investors, businesses and capital markets. We believe political influences that dictate one particular outcome for an accounting standard without the benefit of a public due process that considers the views of investors and other stakeholders would have adverse impacts on investor confidence and the quality of financial reporting, which are of critical importance to the successful operation of the U.S. capital markets.

As such, we strongly support an independent standards-setting process, subject to public scrutiny and free of undue pressures. Public due process procedures, appropriate oversight, technical expertise, and independence are important to ensure the legitimacy of the standards-setting process, and to protect the goals of transparency, relevance, and usefulness in financial reporting that are critical to the success of the U.S. capital markets.

We would welcome the opportunity to respond to any questions you may have.

Sincerely,



Cynthia M. Fornelli
Executive Director
Center For Audit Quality



Kurt Schacht
Managing Director
CFA Institute



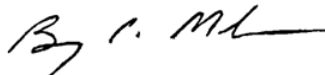
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President and Chief Executive Officer
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Barry C. Melancon, CPA
President and CEO
American Institute of Certified Public
Accountants



R. Bruce Josten
Executive Vice President, Government Affairs
U.S. Chamber of Commerce

cc: Members of the United States Senate