

cc: Beresford
LaGambina

Association for
Investment Management
and Research



From: ATC

May 13, 1996

By Fax (202) 942-9646

The Honorable Arthur Levitt, Jr.
Chairman
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Financial Accounting Foundation

Dear Chairman Levitt:

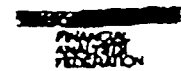
I am writing to you on behalf of members of the Association for Investment Management and Research (AIMR)¹ about recent press reports of your desire to strengthen and safeguard the independence of financial accounting standard-setting in the U.S. AIMR members share this goal and I would like to offer a few comments on how it might be achieved.

There is no question that the standard-setting process in the U.S. has produced the most comprehensive body of financial reporting and disclosure standards in the world. More importantly, as a result of our having these standards, investors enjoy the advantages of deep, liquid and transparent markets. We compliment the Financial Accounting Standards Board (FASB) and its trustees, the Financial Accounting Foundation (FAF), for managing the process that makes this possible.

¹ AIMR is an international not-for-profit membership organization with more than 60,000 members and candidates comprised of investment analysts, portfolio managers and other investment decision makers employed by investment management firms, banks, broker-dealers, investment company complexes and insurance companies. AIMR members and candidates manage, directly and through their firms, more than six trillion dollars in assets. The Association's mission is to serve investors through its membership by providing global leadership in education on investment knowledge, sustaining high standards of professional conduct and administering the Chartered Financial Analyst (CFA) designation program.



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The national press has reported recently that you want the FAF to consist of a majority of public representatives, as opposed to a balance of representatives from various groups with a stake in the accounting standards, and that you want the Securities and Exchange Commission to approve who is chosen to serve on the FAF. Although we believe the current standard-setting process works well, we agree that it can always be improved. We always welcome improvements to make the process more productive, more accessible to the public and more effectively communicated to those persons and entities affected by it. However, we strongly urge you to ensure that any changes will not jeopardize the most valuable features of the current standard-setting bodies -- their unmatched expertise and unique independence in setting financial reporting and disclosure standards. Nothing serves the public interest more than these two features.

Specifically, I understand that you are considering changing the composition of the Board of Trustees of the FAF to include more representatives from the public at-large, as well as representatives from its current constituent groups and the government sector. I recommend that you also consider including representatives of pension funds, mutual funds and other financial statement users in addition to those users (financial analysts and investment managers) represented by AIMR on the FAF Board. I also recommend creating a nominating committee to approve nominees to the FAF Board, including those nominees recommended by the FAF's current constituent organizations. The nominating committee would consist of representatives on the FAF Board from the Board's constituencies: the public at-large, private sector groups (AAA, AICPA, AIMR, FEI) and the government sector. Each constituency would appoint a representative to the nominating committee. Another representative from the FAF Board would serve as the chairperson of the nominating committee; this person could be selected by the Commission. The sole purpose of the nominating committee would be to select and submit to the FAF Board for its approval the most qualified and unquestionably independent individuals to serve on the Board, which would then continue to select the members of the FASB.

AIMR members share your desire to have the Board of Trustees of the FAF include individuals with strong public service backgrounds and who can represent the public interest without conflict. We urge you to direct your efforts toward strengthening and safeguarding the independence of financial accounting standard-setting. It is essential that the FAF Board maintain a balanced perspective, which includes retaining the expertise that has served our markets and investors so well.

If you have any questions about these comments or if you would like to discuss them with me or with any AIMR members, please contact me at (804) 980-9720. I welcome the

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opportunity to talk with you or your staff, or to make arrangements for you or your staff to talk with AIMR members.

Sincerely yours,



Michael S. Caccese
Senior Vice President, General Counsel & Secretary

cc: AIMR Board Oversight Committee
for Advocacy and Professional Conduct