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Matthew L. Schroeder
Managing Director
Global Head of Accounting Policy

July 21, 2008

Ms. Florence E. Harmon
Acting Federal Advisory Committee Management Officer
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

By email to: *rule-comments@sec.gov*

Re: Draft Final Report of the SEC Advisory Committee on Improvements to Financial Reporting (File No. 265-24)

Dear Ms. Harmon:

Goldman Sachs appreciates the opportunity to comment on the above-captioned report (the "Draft Report"). We were a panelist at the July 9 SEC roundtable on fair value accounting standards. Because of our strong support for fair value accounting, we disagree with Recommendation 1.1 as it relates to the measurement framework for financial instruments.

> **<u>Recommendation 1.1:</u> Avoidable complexity caused by the mixed attribute model should be reduced in the following respects:**
>
> - **Measurement framework – The SEC should recommend that the FASB be judicious in issuing new standards and interpretations that expand the use of fair value in areas where it is not already required until:**
>   - **The FASB completes a measurement framework to systematically assign measurement attributes to different types of business activities**

- **The SEC, the FASB, and other regulators and standard-setters develop and implement a plan to strengthen the infrastructure that supports fair value reporting.**

We believe all financial instruments should be measured at fair value, regardless of underlying business activity. We reject the view that the same financial instrument can be reflected in the financial statements at different amounts depending on the business activity. Our experience is that markets do not value instruments differently based on the business activity that created the position. Stated differently, the market values stocks, bonds, loans, currencies, commodities (and many other items) the same, regardless of whether the underlying business activity that gave rise to the position was insurance, banking, brokerage or market-making.

In our view, the better approach, which the Draft Report briefly mentions, is "an approach based on the type of asset or liability in question, such as financial instruments vs. non-financial instruments." We would not object to the recommendation if it were limited to non-financial instruments.

We agree the infrastructure that supports fair value accounting should be strengthened. We are always supportive of efforts to improve the control environment. But we disagree with the recommendation, because we do not believe investors, preparers, auditors and other interested constituents are so ignorant of fair value concepts related to financial instruments that a suspension is needed.

Finally, we believe this recommendation does not fully serve investors because it does not promote greater use of fair value accounting for financial instruments at a time when it is urgently needed. Investors require the transparency provided by fair value accounting on the balance sheet and in the statement of earnings. Disclosure is not a substitute for recognition in our view, and this recommendation would curtail the ability of investors to receive this vital information.

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We appreciate the opportunity to provide you with our views. If you have any questions regarding our comments, please contact me.

Sincerely,

Matthew L. Schroeder