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U.S. House of Representatives
Subcommittee on Oversight and Investigations
of the
Committee on Energy and Commerce
Washington, DC 20515

August 26, 1988

The Honorable David S. Ruder
Chairman
Securities and Exchange Commission
450 Fifth Street, N. W.
Washington, D. C. 20549

Dear Chairman Ruder:

I have enclosed a copy of a recent Wall Street Journal article regarding criticisms of the Financial Accounting Standards Board (FASB) by certain members of the Business Roundtable. The article describes efforts to have the Securities and Exchange Commission "overhaul" the FASB in order to curb "burdensome rule-making." The FASB presently operates as a privately-funded, independent standard-setting body under the regulatory authority of the SEC.

The Subcommittee on Oversight and Investigations has a long record of hearings and investigations regarding the adequacy of financial reporting under the Federal securities laws. In particular, the Subcommittee has closely examined the organization and operations of the FASB, and has received testimony and consultation from the FASB on numerous issues. The Subcommittee's record clearly demonstrates that the FASB has basically performed its very difficult task in a commendable manner.

Setting financial reporting standards that meet the public's need for accurate and complete disclosure is an inherently controversial process. Companies that must alter their preferred reporting practices as a result of FASB pronouncements quite naturally tend to regard the process as burdensome, intrusive, and unnecessary. Coincidentally, this Subcommittee has heard the same complaints regarding its investigations of major defense contractors, savings and loan associations, independent audit firms, Wall Street investment firms, and others. Perhaps the volume of discontent registered by self-interested parties is directly related to the quality of work performed by those who are responsible for protecting the public.

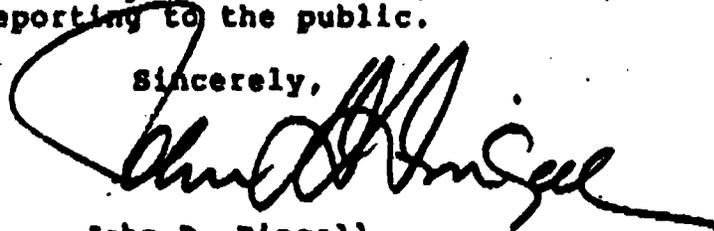
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The Subcommittee expects that the SEC will vigorously use its powers to protect the FASB from improper influence from the business community and Federal agencies that are displeased with the FASB's pronouncements. Efforts by the Federal Home Loan Bank Board and the Federal Energy Regulatory Commission to subvert the work of the FASB for the benefit of their regulated industries have proven to me that the process of setting fair standards works best when narrow business and political interests do not control the outcome.

Over the years, the FASB has responded positively to criticisms and recommendations to improve its procedures. As a result, the FASB presently operates openly with an opportunity for all views to be heard. The quality and dedication of the board members and staff with whom the Subcommittee has dealt is indeed impressive.

The best protection to assure that the FASB meets its public responsibilities is informed oversight by the SEC and the Congress. While the Subcommittee has criticized the FASB in the past, and will do so in the future if necessary, I see no reason to alter the standard-setting process at this time. The Subcommittee will monitor this situation carefully and take such actions as necessary to assure that both the processes and the results of the FASB's work promote neutral, accurate, and complete financial reporting to the public.

Sincerely,



John D. Dingell
Chairman
Subcommittee on
Oversight and Investigations

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Enclosure