

October 1, 2008

To Members of Congress:

Like nearly all financial crises, the roots of the current seizure in the credit markets lie squarely in economic behaviors, not in the accounting that reflects those choices. That's why we're troubled by recent suggestions to suspend all mark-to-market accounting.

When the late Supreme Court Justice Louis Brandeis wrote that "Sunlight is said to be the best of disinfectants," he was referring to the need for more transparency in important national matters. Mark-to-market accounting achieves precisely that transparency.

An accurate, unbiased market value of assets has stood as the informational cornerstone for regulators of financial institutions for decades. In fact, mark-to-market accounting is exactly how these institutions choose to run their businesses, and report and share financial information with counterparties, investors, employees, and various other stakeholders.

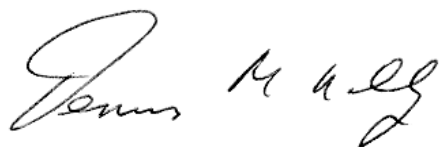
Undermining mark-to-market accounting would roll back decades of advances in transparency around accounting and reporting. In response to major economic crises, history has highlighted the need for more transparency -- not less. For instance, during the depths of the Great Depression, the concept of independently audited financial statements became a reality, giving investors more information. The savings and loan crisis in the mid-1980s further underscored the critical need for greater transparency. So the question must be asked: By what logic should we -- at the very apex of our latest crisis -- make an abrupt U-Turn and become enablers for *less* transparency?

We have seen what can happen when institutions are allowed to mask huge losses in asset values. Besides the challenges we now face, we can look beyond our borders for an iconic example. The nearly decade-long Japanese economic malaise that began in the 1990s as a result of Japan's own credit crisis can be attributed in part to a Japanese banking sector that failed to reflect the real value of its assets. Not only did the lack of transparency contribute to Japan's stagnant economic performance, it undermined the credibility of the banking sector

years after the crisis took place. Whatever its flaws, mark-to-market accounting should help prevent prolonging the current economic crisis.

The current environment is painful for all participants in the capital markets -- in the US and increasingly around the world. But suspending all mark-to-market accounting won't make that pain go away. It will only obfuscate the current economic picture for investors and regulators - and might even plant the seeds for the next crisis.

Very truly yours,



Dennis M. Nally
Chairman and Senior Partner