



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

THE CHAIRMAN

November 5, 2009

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515-3811

Dear Chairman Frank:

I wanted to share my views on the importance to our economy and to investors of maintaining the independence of the bodies that set accounting standards. This is an issue of paramount public importance, and I believe it critical that Congress preserve the independence of those bodies whose sole function is to guarantee the integrity of the information on which our capital markets depend.

Vibrant capital markets are critical to our country's economy and they are made possible by information that accurately portrays the financial condition of the companies competing for investor capital. For markets to function efficiently and fairly, investors must be confident that the standards that measure financial condition and performance are fair and accurate. We have learned all too well in the last 18 months what happens when that confidence is shaken. Confidence lost is not easily regained.

For more than half a century, trust in our markets has been based in no small measure on a system in which accounting standards are set by bodies whose function is to promulgate standards that accurately reflect the financial condition of the entities required to abide by them. This system is backstopped by the Securities and Exchange Commission (SEC), whose sole mission is to protect investors and ensure the integrity of our capital markets.

I am deeply concerned about the possible consequences of changing that system to one that would subject accounting standard setters to the supervision of entities with other regulatory missions. It is not that those missions are any less vital to the public interest than the mission entrusted to the SEC. It is just that they are different -- and I fear the potential consequences for our capital markets if investors come to believe that accounting standards serve any purpose other than to report the unvarnished truth.

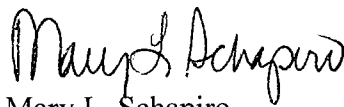
To be sure, accounting standards must be updated constantly, and the economic crisis has revealed particular standards that need improvement. For these reasons, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board have been redoubling their efforts to ensure that standards keep up with evolving financial

instruments. This must continue. The FASB has been engaged in active and frequent dialogue with prudential regulators. It should continue to do so, just as it should continue to engage with issuers of financial statements and, most importantly, with investors who use and rely on them.

But while active engagement and dialogue with a broad spectrum of interested parties improves accounting standards, diluting the mission of the standard setters does not. Accounting should be about accounting, and not about anything else.

Thank you again for the opportunity to express my views.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary L. Schapiro". The signature is fluid and cursive, with the first name "Mary" being the most prominent.

Mary L. Schapiro  
Chairman

cc: The Honorable Spencer Bachus  
Ranking Member