Setting the global standard for investment professionals

March 16, 2005

William Donaldson, CFA
Chairman
Securities and Exchange Commission
450 Fifth Street NW
Washington D.C. 20549

Robert H. Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

Re: FASB Statement of Financial Accounting Standards No. 123 (revised 2004)

Dear Chairman Donaldson and Chairman Herz:

We write in continued support for the SEC and the FASB to proceed with the planned implementation of the new stock option expensing rules as embodied in FAS 123(R). Plans for the June 15, 2005 effective date should not be altered. We are concerned that the level of misinformation surrounding this issue not deter you from advancing the goal of honest and fair treatment of compensation expense.

We will not repeat the many arguments advanced in support of options expensing set forth in previous comment letters, advertisements and letters to Congress in 2004. We remain steadfast in our views therein expressed and appeal to both the SEC and FASB to not waver in the face of politicization of the honorable process of independent standard setting. Let me address three points that have continued to creep into this debate.

First, any argument that stopping or delaying the expensing requirement is somehow good for investors is pure nonsense. It simply extends the practice of improperly understating compensation expense. In reality, what does benefit investors is honest and fair accounting. Failing to expense options does not.

Next, the question of how to value stock options is not a valid reason to avoid taking an expense. The issue of stock option expensing has been studied and debated for decades. Refinement of valuation models has occurred over a similar time span by industry experts, Nobel Prize winners and accounting leaders. It is a simple fact that such calculations will never be an exact science. Neither is the estimate of depreciation. Yet, standard methodologies are working well under IASB rules, are being used voluntarily by over 900 U.S. firms already and represent a dramatic improvement over no expensing.

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One recent observer suggested that use of such expensing information could be inadequate and potentially misleading for investors. This is tantamount to saying we should stick with information we know is misleading. In point of fact, the information has been readily accepted in Europe and is providing demonstrably more accurate information on the U.S. firms with the foresight to have voluntarily complied. It has yielded more accurate disclosure and a more disciplined use of incentive options.

As an organization representing the views of tens of thousands of investors and industry professionals investing in markets from around the world, we support your efforts and your resistance to any further delay in the implementation of FAS 123 (R). It is appropriate, it is needed and it is long overdue. Your efforts in advancing this policy to its rightful conclusion are very much appreciated and supported by the investment community at large.

Please let us know if we can be of further assistance in this important debate.

Sincerely,

Jeffrey J. Diermeier, CFA
President and Chief Executive Officer

cc: The Honorable William Frist
The Honorable Carl Levin
The Honorable John McCain
The Honorable Harry Reid
The Honorable Paul Sarbanes
The Honorable Richard Shelby
Donald T. Nicolaisen, SEC Chief Accountant