

Securities and Exchange Commission Historical Society
Oral History Project
Interview with James Leisenring
Conducted on April 12, 2011, by James Stocker

JS: This is an interview for the SEC Historical Society's Online Virtual Archive on the History of Financial Regulation. Today is April 12, 2011. I'm James Stocker. I'm talking today with Jim Leisenring. Good morning, Jim.

JL: Good morning.

JS: We're talking today at the FASB offices in Norwalk, Connecticut. I figured we'd start at the beginning. Where were you born, and where did you grow up?

JL: I was born in Battle Creek, Michigan and lived there virtually all my life, except for three years during World War II, until I moved to Connecticut. I went to school in the vicinity as well, going to Albion College.

JS: Where were you during the war?

JL: The Detroit area.

JS: How did you come to attend Albion College?

JL: I really don't remember. I applied two or three places and my recollection is that Albion

was the best school that I got into. (Laughter.) Like a lot of people, I picked the best school that admitted me.

JS: Did you study economics or accounting?

JL: Economics. Albion College had no accounting major when I was there. I think I took nine hours of accounting.

JS: Did you have any particular influences while you were there, any professors that you remember?

JL: An accounting professor that influenced me – because I took the last three hours of accounting from him – was Maynard Aris. Certainly he encouraged me to study more accounting at some point in time. Because I was an economics-political science major, there were other professors at Albion that influenced me, perhaps as much as Maynard, particularly Charles Hardy in the political science department.

JS: After you graduated in 1962, you did an MBA at Western Michigan University. Why did you decide to do an MBA?

JL: I decided to do an MBA for a variety of reasons. I always knew I was either going to go get an MBA or go to law school. I decided against law school in my senior year because I just became more interested in economics and accounting and finance. I frankly went to

Western Michigan because they offered me what was, at the time, a significant amount of money to go there to work on an MBA with a research fellowship.

JS: That sounds like a good reason. Then afterwards you decided to stay there as an instructor.

JL: Yes, initially, I was not really interested in accounting. In those days you took an MBA with a concentration and my concentration was in finance. I had to take a couple of undergraduate accounting classes at Western for no credit to meet the prerequisites to take the finance courses that I needed for the MBA. In the process of taking those accounting courses, I became acquainted with a couple of the accounting professors. They got me more interested in accounting.

There were some unfortunate health problems with one of the professors there, and the university asked me to step in and teach introductory accounting, which I did by staying two pages ahead of the students at all times. It really forces you to learn something to have to teach it, and I became much more interested in accounting by teaching elementary accounting.

JS: How do you think teaching accounting shaped your later career as an accounting standards setter?

JL: I don't know that teaching it in the early days shaped my career at all, but later, I taught

accounting theory seminars and theory and problems classes or the capstone accounting class. It certainly caused me to appreciate that you ought to have an underlying basis for the conclusions that you are reaching about accounting issues. There ought to be some basis for consistency in your conclusions, which is something that I have believed in all through the standards setting period of my life.

JS: Why did you decide to leave academia and enter practice?

JL: Money. Western Michigan was perfectly willing to tolerate me as an MBA CPA on the faculty, but even way back then, that was not the right way to pursue an academic career. I was unwilling, however, to take the time to go get a Ph.D. So I left and went into public accounting.

JS: What was your first job in the accounting profession?

JL: Because I had been teaching for four years, I went with a firm as a manager in their technical area.

JS: What firm was that?

JL: Doeren Mayhew, in Detroit.

JS: How did you come to form the firm of Bristol, Leisenring, Herkner & Company?

JL: Bristol, Leisenring, Herkner is a split-up of Doeren Mayhew. Doeren Mayhew was a Detroit-based firm. They had offices other than in Detroit, in Battle Creek, Kalamazoo, other places. The firm partners, like frequently happens, amiably decided it was better to part company and Bristol, Leisenring, Herkner became the outstate (out of Detroit) offices of what was Doeren Mayhew.

JS: What kind of clients did you work on?

JL: Private companies, almost exclusively; we did a little bit of SEC work, but almost none. For a small firm, we were very heavily skewed toward an audit practice and did have some rather large clients, but they were private companies.

JS: How did you move from private practice to the FASB?

JL: I moved from private practice to the FASB in a couple of steps. My firm was very supportive of me being involved in professional activities and a big part of our client base was in the construction industry. I was asked by the AICPA to be on a task force that wrote the Construction Contractors' Audit Guide and SOP 80-1, and as a result I had significant contact with AICPA staff. The AICPA in turn asked me to go on what was then the Auditing Standards Executive Committee. While I was on that committee, it changed its name to the Auditing Standards Board. After two years of service on the Auditing Standards Board, they asked me to chair the Board for three years.

JS: Why did the Board change its name?

JL: I don't remember why they changed their name.

JS: It was just a name change? It did not change its duties at all?

JL: It did not change anything in my recollection, no. In that period, there was some amount of Congressional testimony required with respect to the issues that led to the Foreign Corrupt Practices Act. That gave me a visibility as the Auditing Standards Board chairman that put me in touch with the then-chairman of the FASB, Don Kirk.

Chairman Kirk sent me a letter just as I was leaving the Auditing Standards Board – my term was up – saying that they needed to replace the Director of Research and Technical Activities at the FASB, and asked for three suggestions as to who might be qualified for that job. He said he had sent that letter to about twenty or twenty-five people. I sent him, dutifully, my three suggestions, as he requested. He called me back in a couple of weeks and said my name was on a number of the letters he received and asked if I would consider the job? I told him unequivocally, no, I was not interested. But if you have ever met Mr. Kirk, you would know he is a very persuasive person. Eventually I went to the FASB as Director of Research and Technical Activities.

JS: Why were you hesitant to take the position?

JL: I actually am one of those rare ones, I guess. I loved public accounting. I loved practicing accounting. The Auditing Standards Board had occupied an enormous amount of my time, and I was not practicing accounting as much as I would have enjoyed. I looked forward to going back to it. It just did not dawn on me that I wanted to be a standard setter or that I wanted to move to Connecticut. It also did not dawn on me that my family would want to be disrupted, as I had a daughter in junior high and a daughter in high school. So my initial reaction was "No."

JS: When you took the position, did you expect to spend the rest of your career in accounting standards setting?

JL: Absolutely not. I made a commitment to Don Kirk that I would stay for the rest of his term which was, I think at the time, about three-and-a-half or four years. I fully intended at that point in time to go back to public accounting.

JS: Tell me about the job of the FASB research director. What sort of projects did you work on?

JL: At that time there were three classes of activities within the technical agenda: First, there were so-called major projects. At the time the biggest one was pensions. Then we had what we called implementation and practice problems. They were much more narrowly-focused. There also was an effort to extract some of the AICPA literature and

incorporate it into the FASB literature. Then the third class of project activity was the Conceptual Framework. At that point, I recall we spent about 25 percent to a 33 1/3 percent of our time on the Conceptual Framework. I had an early indoctrination in the necessity of reaching some conclusions around conceptual issues.

JS: Tell me about the Conceptual Framework. What was the point of coming up with a Conceptual Framework?

JL: I think the Board had realized from its inception that it needed one. Indeed, one of the criticisms of the APB, the predecessor of the FASB, is it did not have a conceptual foundation for its conclusions. They were accused of making ad hoc decisions to issues that should be answered consistently.

JS: What sort of research does one do in order to come up with a conceptual framework?

JL: The research that was done, or rather that what one should have done – this is probably debatable – is to identify what seemed to be the impediments to reaching consistent conclusions on standards issues. The FASB's initial agenda had on it accounting for contingencies and it also had research and development costs. The Board quickly learned that they did not have an effective definition of an asset to determine what to do with research and development costs, and they did not have an effective definition of a liability to deal with the issues of accounting for contingencies.

It became obvious to the initial Board that asset and liability definitions were going to be significant. And, of course, once you decide there is an asset or liability, you have to decide whether or not to recognize them and how to measure them.

The early focus – on the objective of financial reporting and the qualitative characteristics of information that make it decision useful, which took several years to agree, resulted in Concept Statements One and Two. Later efforts were directed to elements definitions and recognition and measurement.

JS: Were accounting firms as interested in participating in the process that led to these Conceptual Statements as they were in the standards themselves? Or did they see them as something abstract and more removed?

JL: I think the firms are in better position to answer that, but my perception would be that they were very encouraging of the work on the framework, but they were not as directly involved and did not feel the need to be as directly involved as the Board. It was not that they discouraged the effort in any way. I think their day-to-day activities inevitably made them more interested in standards setting issues than the Conceptual Framework.

JS: Let's talk a little bit about the relationship between the Board members and the staff. How did the staff transmit their research to the Board members?

JL: I don't know when this became the mode of operation at the FASB, but when I arrived

here – that's probably due to the leadership of Kirk and the rest of the Board – the staff was expected to be very independent. They were told to develop their own conclusions on issues. They were told to do their best to educate the Board about their research and convince the Board of what they thought were the optimal conclusions.

My approach was to suggest and to emphasize to the staff that they had an incredible luxury. If they were interested in accounting standards and accounting theory, to be assigned a specific issue – for example, a person might be working exclusively on foreign currency or on pensions that would allow them to eventually know more about the subject matter than anybody in the world. It was their obligation to make sure they knew more about it, and to reach conclusions that they thought were the optimal answers, and to present them to the Board. Essentially, they became educators, since the Board did not know as much about each subject, because the Board would have a dozen or more things on its agenda. The staff objective was to become the experts.

That philosophy served the Board well and, I believe, continues essentially to this day. I still think the staff is very independent and is the strength of the FASB. They are told to make sure the Board is aware of the issues they become aware of.

JS: So the Board members were probably working on many different issues at any one given point of time. Do the staff members prepare briefing papers or do they give presentations to the entire Board?

JL: They prepare briefing papers, and those are presented in public meetings. The decision-making of the Board is in pre-announced public meetings with agenda papers that the staff has prepared with their recommendations.

JS: I understand that there is a rule of procedure that prevents so-called educational presentations to any more than three Board members at once. Was there a rule about that?

JL: Yes, but educational presentations are now open to the public. That's the easiest way to solve that problem. The FASB does not have private meetings on technical matters with a majority of the Board present.

JS: Do you think that would be a problem, if you had private presentations by staff members to Board members?

JL: They can talk one-on-one, but the thought is that you cannot have a sufficient number of Board members present that could issue a standard meet in private. You should not be able to go offline, so to speak, and reach your conclusion and come into a public meeting and rubber stamp it.

I think people have to appreciate that open meetings, public meetings, are not there so that people know the results of the deliberation. Obviously you can print minutes an hour after the meeting and people would know the conclusion of the meeting. Open meetings

are needed because the public has a public interest in the performance of the Board.

They can assess the quality of the deliberations. They can assess the individual Board members' contributions, or lack thereof, to the deliberations. That is all part of having a public responsibility.

JS: One of the things that happened while you were research director was a reorganization of the industry fellows program. Do you remember much about that?

JL: The industry fellows program was not reorganized while I was director, to my recollection; not at all, no. The program was present when I arrived and still exists..

JS: I asked that because I read a newspaper article from the early eighties.

JL: I do not believe the article is correct.

JS: Well, what the article said was that the program had been in existence since 1977, but that no fellows from the accounting profession had actually come to work at the FASB during this period in the early 1980s because they had trouble recruiting people from the accounting firms.

JL: That is just not true. They may have had trouble recruiting people in the early years. I was not here and was not aware of that. When I came here there were fellows on board from the firms, industry and academic community, and I was here in 1982. The first

fellows were in 1974 and they came from the large firms.

JS: How important was their work in communicating with the firms?

JL: Well, their principal responsibility is to be like any other staff member, except that because their tenure is for two years, they were the ones that were the principal project managers and staff on implementation and practice problems and not on major projects, that were predictably going to last four, five or six years. They also were not particularly involved with the Framework. The so-called permanent staff did the major projects and the framework. The fellows worked on implementation and practice issues.

In my tenure, the fellows became critical to the success of the Emerging Issues Task Force. The formation of the Emerging Issues Task Force gave greater visibility and credibility to the work that the practice fellows had been doing right along. They were the staff of the Emerging Issues Task Force. I was the chairman, but they were the staff.

JS: That's very interesting. Let's definitely talk about that just a little bit later. Just to talk a little bit more about the job of the research director, in recruiting staff, did the FASB have a high turnover rate at this point? Did you have any trouble keeping staff? Were people interested in going back into the private sector?

JL: Some people were. It varied. We actually had a model that I inherited when I became research director that suggested about five years is long enough to be at the FASB. That

got stretched out a little bit as the projects started to take a little bit longer. There was always a conscious debate and decision when you were a project manager and finished a major project, were you going to start another one and probably then have your tenure stretch to ten or eleven years or was it time to move on?

Typically, the staff and the research director reached a mutual conclusion with most individuals that the useful model was to do a major project, stay on for a year or so to make sure no implementation questions or difficulties arose, and then move on. That did not happen for everybody, and there were people that stayed here for much longer period of time, but they were the exception, not the rule.

JS: Was it possible to move up the ranks? Was it easy?

JL: There were not many ranks in which to move. Above project manager, we had only a couple of other positions, senior technical advisors. Those people were not moving and we did not want them to. It was really stay a project manager or move on.

JS: As research director, did you have any contact with the trustees?

JL: A very limited amount, I reported to the Board, so my trustee involvement was just when they requested it.

JS: They did not offer any input into your work or anything?

JL: No, not directly. No, sir.

JS: What about with Congress or the SEC?

L: I had a lot of involvement as research director with the SEC. Again, once the EITF began its work, the SEC was very interested and involved in EITF issues. Staff and research director involvement with the SEC was significant, from day one for me as research director and for many on the staff after formation of the EITF. With Congress, not so much, although I had a few activities with Congress as research director. Most of the activities I've ever had with Congress came later, as a Board member.

JS: Let's talk a little bit about the EITF now. How did this come about?

JL: The EITF was really instigated by the trustees. The trustees included the senior managing partners of some of the major firms. There was a period of time when there were a lot of assertions that companies were opinion shopping, which means that they were looking for answers to technical issues. There were pressures on auditing firms to change answers in response to what perhaps one firm was willing to do. It was thought to be a race to sort of a lowest common denominator.

That portrayal might be unfair. It may actually have been a race to the right answer. But at least, the perception was that that was not the case, and they thought that it was

undermining the respect for the profession. The trustees asked that the FASB give “more timely guidance” – those were the buzz words at the time – so that these issues did not linger and that they would be resolved. The trustees asked that we explore how to be more involved with that timely guidance.

A task force was formed. It was chaired by Robert Thompson from Shell Oil, that wrote a report that recommended essentially the structure of the EITF. One of the things that I thought was important about the EITF was that it brought the accounting issues into the public arena, because the meetings of the EITF were open to the public. The issues were debated and resolved in public. Particularly for firms other than the largest, it gave them an avenue to understand the issues of concern. There wasn't any risk that eight firms could go in a room and resolve an issue between themselves, which the antitrust people thought was not defensible – and an important reason to have the meetings be in public through the FASB.

JS: That's interesting because that's basically what the APB had been twelve years before.

JL: That's right, but it was not thought to be acceptable. The issue needed to be resolved in a different forum. Early on, the issues were lingering ones that had been troublesome to the profession for the previous few years and there was sort of an early rush to address many of those issues. After that, frequently the issues were ones where a registrant and the SEC were in conflict with one another. A good many of the issues were those where the SEC did not agree with a firm or did not agree with a registrant and the SEC would

say, "We're willing to have this issue debated. Bring the issue to the EITF."

As a result, after the first couple of years, there were many issues that a firm or a registrant would ask the staff of the FASB to put on the EITF agenda. There was an agenda committee formed that vetted those issues and decided which ones needed resolution.

JS: So it was almost a forum for arbitration?

JL: It was not really arbitration and it was not a matter of negotiation. It was still a matter of decision-making and deliberation. SEC acceptance and enforcement of a consensus gave the EITF an authoritative status that met the Trustees' initial objective of giving timely guidance. Some people think that the process got out of hand and too much guidance has been issued, and certainly, there is a group of people who would prefer less specific resolution to certain issues.

JS: I read that in the first year of its existence, the EITF met eleven times and dealt with sixty-five issues. It certainly was working on a lot of different subjects.

JL: Early on that was true, but in all honesty, some of those issues were pretty easy compared to some of them later on. The issues got much more difficult two or three or four years into the history of the EITF than they were in the early years.

JS: Tell me about the difference between EITF rulings and FASB standards.

JL: There's a GAAP hierarchy in the United States that starts with FASB standards and moves down a hierarchy. As a practical matter, there is not much difference. The EITF conclusions are not supposed to be inconsistent with an FASB standard. That would make the GAAP hierarchy very important, but it is less important if they are not inconsistent, if they are primarily interpretive and they are consistent with the standards.

In recent years, the FASB has begun to clear EITF issues. People have made a big deal about that and it does make it more obvious that the FASB is clearing, debating and involved with the issues. As a practical matter, from day one, Board members took an interest in the issues. If they actually thought that a conclusion of the EITF was incompatible with U.S. GAAP, they would not have settled for that.

JS: Do you remember any instance when that happened?

JL: No, but I do remember instances where we had debates about whether it was consistent or not and ended up being satisfied that the answer was appropriate.

JS: It was many years ago. Do any issues that the EITF dealt with still stick out in your mind from those early years?

JL: Not really, they have all kind of blurred together. That's probably a combination of my

age and the length of time since I dealt with them.

JS: You have done a nice job of attributing credit for the EITF, to the trustees, but some people have said that you were very much involved in the creation of the EITF itself and the structuring.

JL: Well, it was my assignment to do that. Frankly, there were several that deserve recognition. Keith Wishon from Price Waterhouse was the number one staff person in the formative year. Keith deserves as much credit as I do for what happened in that first year, as does JT Ball. JT Ball was the assistant director at the FASB, handling implementation and practice problems. He and Keith and I worked very closely together. Certainly Keith and JT have just as much right to feel good about the accomplishments in the early years of the EITF as I do.

JS: Some people have argued that the EITF was more of a forum for the accounting firms to advance the interest of their clients than a group that was actually interested in finding professional solutions to the problems. Do you think that's a fair criticism?

JL: I don't think it is completely fair, no. I think there are certain instances where that may have been the case, particularly when the registrant and the firm disagree with the SEC and they brought it to the EITF. You would not really have expected the registrant or the firm that had reached a conclusion with its client to not advocate their answer.

Far, far more often the firm said, "This has not been our position, but we understand this alternative and we'll accept it and move on." So, episodically that could very well be right, but I don't think universally it's fair. I think the firms behaved far better than that.

JS: In 1987 you were appointed as a Board member. Is it typical for a staff member, even a high level one, to go on to become a Board member?

JL: It was not then but it has become more so now, because three present Board members are former staff people. Russ Golden, Larry Smith and Leslie Seidman all had very similar jobs at the FASB.

JS: Why was it not typical before?

JL: I think more than anything else it was just timing.

JS: You don't think that there was maybe a disinclination either to hire staff members or maybe some desire to see a separation between the staff and the Board?

JL: No, I don't think so.

JS: Were you surprised to be offered a seat on the Board?

JL: No, I wasn't surprised, because when Don Kirk's terms as chairman was completed, I was

seriously considered as a candidate for chairman of the FASB, along with an existing Board member at the time, Arthur Wyatt from Arthur Andersen. Art and I were two of several candidates, interviewed for the chairmanship. My personal opinion, at the time of the interview, was that Art was far better qualified than me. He was several years older and I was perfectly content to be research director if he was chairman. Art did not end up becoming chairman, Denny Beresford did. But Denny asked me to stay as research director when he was appointed, and I did.

I think there was a notion that I needed more time and experience but it did not take very long until there was an opening on the Board. Art Wyatt resigned as a Board member and I replaced him on the Board.

JS: Were you giving any thought at that time to going back to private practice?

JL: I was giving some thought to it.

JS: It's understandable.

JL: Yes, well, if nothing else, my age was such that if I was going to make a move back to private practice, I was going to have to do it. I did think about it, but those thoughts did not go very far.

JS: How did the experience of being a Board member compare to what you expected before?

Were there any surprises? You probably knew the position pretty well after having been at the FASB for so long.

JL: No, the Board member job was as I suspected it would be.

JS: As much fun?

JL: As much or as little fun as I expected it would be. So yes, I was not surprised, unlike some Board members who have been appointed and who were significantly surprised by the job. That is understandable, I think. But I was not. Board membership was to me, however, not as much fun as Director of Research and Technical Activities.

JS: What were some of the most important issues that were going on at that time, when you joined the Board? Do you remember?

JL: Liabilities and equity, we were beginning our involvement with stock options; and other post-employment benefits, other than pensions. Those were the big issues that continued on. And it was clearly obvious what would become the issue that is still the issue, financial instruments. It was obvious to everyone that financial instruments was the 800-pound gorilla in the room.

JS: So you knew it was going to be a very sensitive issue. But already in 1991 the FASB was able to issue a standard on financial instruments.

JL: Yes, but not comprehensive enough to deal with all of the issues that needed to be dealt with. Financial instruments was divided into several projects. We knew that accounting for financial instruments was a huge issue. We had to deal with impairment of financial instruments, marketable securities, derivatives, and not just accounting for derivatives, but hedging. We still had not resolved the distinction between liabilities and equity and in the structuring opportunities that still exist in this really cumbersome literature for the distinction. So we issued several standards, but some would argue to this day that we have still have not resolved the issues, because we have inconsistencies and the complexity of the path we took is overwhelming.

JS: Is the major problem the complexity of the issue as a research issue or is it simply politically difficult to pass standards?

JL: It's both. It's politically difficult to pass some things. We certainly had our political problems with aspects of financial instruments. But that is not as difficult as people just not wanting an answer that would resolve, in many respects, much of the complexity. I think that an enormous amount of the complexity has to do with measuring things differently and setting the boundaries for when something is in bucket A versus bucket B versus bucket C for measurement distinction. Those bright lines bring about a lot of complexity.

The way to remove that complexity, which would instigate, perhaps, a different

complexity, would be to measure all financial instruments at fair value, rather than just some at fair value and, inevitably, the lines between when they are and are not. People seem to like that complexity, because they certainly do not want to measure all financial instruments at fair value. That becomes one of the political realities – the objection to full fair value for financial instruments.

JS: People claim that the fair value with things like derivatives becomes a little bit difficult to determine.

JL: It is difficult to determine, but we have no ambiguity that derivatives are to be measured as fair value. So in some respects, there's a disingenuity to some of the arguments, because the most difficult financial instruments are at fair value. Some of the more easily measured ones are not. So it is not purely an issue of complexity over the estimation of fair value.

JS: You mentioned stock options a little bit earlier. Did you expect that stock options would be as controversial as it turned out to be?

JL: No, I would not have estimated that. That was naiveté, to be sure. However, at the time we proposed putting stock option accounting on the agenda, seven of the big eight firms encouraged us to do so. A resolution was needed because people were getting more and more adventuresome about accounting for stock options.

People misstate the issue when they say that stock options were not accounted for. That's not so. Certain stock options were measured; so-called variable option plans were accounted for. Fixed plans were accounted for at intrinsic value at grant date. As long as you issued a fixed stock option that was not in the money, there was no accounting for that and there was no subsequent measurement of change in the intrinsic value.

It is not particularly anomalous that an equity instrument was not subsequently re-measured. If you believe a fixed option plan is an equity instrument of the entity, and certainly that is what the definitions would suggest, we don't re-measure common stock of the entity either. The anomaly was that on day one the accounting was that just because it was not in or out of the money, it did not have value, and consequently, no compensation expense.

Compensation expense with respect to fixed plans, not variable ones, is what was ignored. People wanted to make plans that were variable, but to account for them as fixed.

JS: In 1993, the FASB finally issued its exposure draft on the issue of stock options that proposed to require the valuing of options at fair market value on the day they were granted.

JL: That's not exactly true. The exposure draft did propose to have them measured on the date of grant. It wasn't exactly fair value. It's fair value-related. But yes, you're

essentially correct.

JS: Okay. For a non-accountant, this is close.

JL: For a non-accountant, you did fine. (Laughter.)

JS: Thank you. Was the Board united on this exposure draft?

JL: Exposure draft, yes.

JS: Once the draft was issued, obviously the backlash began. At this point, the FASB seems to have had to do quite a bit of public outreach to try to sell its proposals to the public.

JL: There was a significant amount of contact with constituents all over the country. Obviously there were sections of the country, where employers extensively used stock options, that were more opposed to the proposal than others. It became a different issue than people described it as. I think the issue became executive compensation and scrutiny of executive compensation. That got everybody interested.

JS: Do you think this public outreach initiative was that unprecedented in the history of the FASB? Had they ever had to reach out to the public on this?

JL: Oh, yes, the FASB often had controversy and significant public contact. Early on, in

many respects, there was not any more public outcry over the answer than there was, for example, over pension accounting or certainly over oil and gas accounting. There had been many issues with significant public outcry and significant public outreach, in terms of trying to reach a mutual understanding of what would improve financial reporting.

JS: Was there a coordinated media strategy or did you all try to work in an organized way to sell the message or to sell the plan?

JL: I'm not going to admit that we were disorganized. So yes, there was a coordinated strategy of sorts. I don't think that we had the resources to keep up with everyone else in terms of organization and the money to be spent in fighting it. One organization later on, when I was an IASB member, at an IASB advisory council meeting said that they had spent \$75 to \$90 million fighting the FASB on stock options. Obviously the FASB did not have those kinds of resources.

JS: Did you go out and speak in public about the proposal?

JL: Constantly, constantly.

JS: Any happy memories from that time?

JL: Very few happy memories. A few interesting encounters, yes, but not very many happy memories.

JS: I read one report in an Oregon newspaper that said in 1994 you had been heckled by an audience at a presentation there.

JL: Yes, that's true.

JS: People were very angry?

JL: Heckled might be a mild term. In all fairness to both the audience and to me, the meeting that I believe the article refers to was instigated by Senator Wyden, who at the time was very involved with accounting issues because of his committee assignments in the Senate. Senator Wyden asked that I come out and speak with his constituents that he arranged. He certainly tried very hard to run the session as though it was trying to be mutually educational.

JS: Was he supportive of the FASB's efforts?

JL: He was silent about that. I suspect that Senator Wyden was sympathetic because he always seemed very strongly interested in improving financial reporting. I doubt that he would think that zero compensation was the right answer. Of course, he had a lot of constituents that thought that was exactly the right answer. I think he was very fair about the way I was treated and the way he treated the Board, unlike some other Senators, who were not particularly fair about the issue.

JS: So you had to do a lot of outreach to Congress as well on this issue?

JL: A lot of outreach to Congress; a lot of outreach to constituent groups. Yes, sir.

JS: Eventually, over the course of 1994, the Board finally decided to abandon the exposure draft, as it was currently stated. Did that cause any discontent within the Board itself? Or was there any opposition to that?

JL: Certainly there was opposition on the Board from Neel Foster and I. We dissented to that the statement. So yes, we were opposed. I have said before that I don't think anybody on the Board changed their mind about the technical issue whatsoever. I think many felt very threatened that Congress would, in a sense, blow up the Board and private sector accounting standard setting.

Neel and I thought that if every time the issues just got hot enough we were going to back down, we did not serve a significant purpose anyway, so we might better stand and fight. My personal opinion was this was an easier issue to fight than some other controversial issue, because surely zero was not the right answer for compensation expense and that was easily understood.

But remember what I said about the amount of money being spent in opposition. The FASB did not have those kinds of resources so I think collectively, the Board may well

have been right. Neel and I were certainly right over the technical issue, and right that caving in to political pressure was not the right way to set accounting standards.

JS: There were even some calls from Congress for legislation that basically would have put the FASB out of existence.

JL: Oh, of course there was. The Senate voted something like ninety-two to eight, in the Sense of the Senate resolution, that we should not require what was proposed.

JS: Of course, eventually the FASB did issue a statement on stock options. But two of the Board members, including yourself, refused to endorse that standard.

JL: Well, it was disclosure-only and not recognition of measurement, which was why Neel and I dissented.

JS: In the text of the standard, it spells out the reasons for the dissent in pretty frank terms, basically referring to the political environment. Is it typical for a standard to have that kind of language in it?

JL: Well, it is not in the standard. The language is in the alternative view or dissent. The dissenters have a right to say what they want to say, as long as they are accurate about what they are saying. Yes, there have been times that the language has been somewhat harsh by dissenters, although perhaps the dissent was more directed at the politics than

most of the others, but not an unusual dissent, no.

JS: I think we covered stock options pretty well, there. What about derivative instruments and hedging activities? In 1998, the FASB issued a statement on derivatives. Do you remember what this required?

JL: Sure, I remember what it required, in excruciating detail, I'm afraid. It was problematic as well. Politically, people did not like that standard either. It was not a model of the way standards necessarily should read, because it starts with the definition of derivatives – that derivatives should be accounted for at fair value – and then goes on and makes enough exceptions to that that it is mind numbingly complex to know whether you're in compliance. The FASB has made proposals more recently to simplify the standard and I think that is still a high priority for them to do that.

The alternative for almost all derivatives is not account for them at all, other than on a cash basis, because there is no historical cost of most derivatives. There are option premiums one can have prepaid forwards and the like, but for all practical purposes, you either account for derivatives at fair value or you don't account for them until the contract is settled. The question really was how broad is the definition of derivative? That's where the exceptions and much of the complexity came from.

Another area of complexity comes from hedge accounting, which allowed you to mark the hedged item to market as well, when a derivative was used for a fair value hedge.

Any ineffectiveness had to be measured, because you were not allowed to use hedge accounting if the derivative instrument is not an effective offset. Therein lies a lot of the complexity.

JS: Many judgments to make, I guess. Why do you think it was possible to issue this standard and not the stock option standard? They were both very politically difficult.

JL: I think it was the attitude of the Board. At the time, over stock options, the Board made a decision, as I suggested, perhaps an expeditious one, in terms of resources and the threatened existence of the Board. Although I would tell you that I thought the existence was far more threatened over derivatives than it was over stock options.

JS: Why would you say that?

JL: Well, first place, legislation got farther in Congress and there was as much or more Congressional interest. It was much more difficult to describe to people why it was important to account for derivatives than it was for stock options. The man on the street sort of knows that if you are granted a million stock options, you've probably got something. Why wouldn't that be compensation?

It is far more difficult to try and convince and explain to people that are unaware of some of the nuances of the derivative issues. It was a very difficult time. The Board and then-Chairman Jenkins felt very strongly that the question of accounting for derivatives was

imperative.

JS: In 1996 the FASB also decided to open up the issue of business combinations, which had been a very controversial issue back in the 1970s. So clearly you were not shying away from difficult issues.

JL: No, I don't think the Board can be described as having shied away from difficult issues. At least they have not avoided putting difficult things on the agenda. They may shy away from the optimal answer at times in the deliberations and final conclusion. Again, business combinations was extraordinarily controversial at the time; but again, not difficult to think about in terms of why should you be able to structure the deal with a few little tweaks and get a completely disparate accounting result?

By the way, most things that you pay a million dollars for, in our present accounting model you record at least initially at a million dollars. You do not give up a million dollars worth of payment in stock to record something perhaps at \$100,000. It was anomalous accounting to do pooling of interest accounting. I think that this was more easily understood by people than the derivatives issues.

JS: Let's talk about some international issues at the FASB. When you joined as research director in 1982, were international issues something that the FASB was looking at all?

JL: No.

JS: When do you recall it becoming a serious object of interest?

JL: Gradually. It was not that they were ignored. There was just not any thought that we ought to contemporaneously debate any issue. There was not any thought that we necessarily ought to get to the same answer as any other standard setter. Remember that there was a huge, six inch stack of standards in the United States but not internationally. There was as much interaction at some times, with the Canadian standards board or the U.K. standards board as there was with the International Accounting Standards Committee (IASC).

The IASC would visit, a representative or the chairman would come and Don Kirk and I or a couple of Board members would meet with them. But there was not huge interest.

JS: In 1991 the FASB admitted its mission statement to add an international objective. What had changed by then that made it so important?

JL: At that time, the IASC asked us to go on an advisory group they had formed. We did not choose to do that. I went to one meeting. It was totally ineffectual, in my opinion. At the same time, it was becoming pretty obvious that the world's markets were becoming far more integrated and accounting differences were becoming more significant; it was obvious to ask why. Why are accounting standards different?

There was a slow process of recognition that we ought to get more involved internationally. But we were not inclined to be on the IASC Advisory Group. Then the IASC came to us and asked if we would be willing to be at their board table, with privilege of the floor, but no vote. We said yes, we were willing to do that. That really got us involved more with their issues as they were discussing them. I was not the first person with that assignment. A different Board member had it for a board meeting or two. Then I got the assignment and had it for four or five years, and was then replaced by Tony Cope.

JS: What year was this when it began? Do you remember?

JL: I guess it must have been about 1991, right around there. I started attending all of their meetings and they were starting to go through things we were doing or had recently done.

JS: Had you had much exposure to other national systems of accounting? You personally.

JL: None.

JS: What about anyone else within the FASB, some of the research staff?

JL: I don't know that research staff would have, but certainly some Board members and the senior technical people at major firms that would have had to have had a lot international contact; but immersed in the technical issues, not so much. Denny Beresford became a

chairman of the FASB in 1987. Denny had been on the IASC, so he certainly had knowledge of the institution and he was willing to say yes to seating us at their Round Table.

I'm jumping years, I know, but in the nineties, it became clear that we had common issues. But the common issues were with the Anglo-American countries. The Brits and us and the Canadians and Australians and the New Zealanders formed the G4+1.

JS: This was in 1993? Tell me about that.

JL: It came about, essentially, over some work that was done by myself and a staff person here named Todd Johnson. David Tweedie was chairman then of the Accounting Standards Board (ASB) in the U.K. David and Todd and I, and a couple others, had several meetings on common issues. For example, the ASB was dealing with pension accounting. They were also dealing with financial instruments although not necessarily all that successfully. They also were trying to develop a framework. We got involved and I got extensively involved in the debates involving the U.K. framework.

JS: That's a very interesting story to me. How did you get involved in the debates in the UK?

JL: Well, it's because David Tweedie asked me to. A couple of the firms were taking them on over the framework project with some of the most disingenuous arguments you had ever heard. I dueled with those firms through op-ed pieces in the *Financial Times* and

elsewhere together with Reed Storey and Todd Johnson. It taught us that the issues were common to all standard setters. That suggested, why not try having meetings between people with a common interest? The G4+1 was thought by some, however, to be a real threat to the IASC. They were not all happy.

JS: They did not see it as something they could possibly –

JL: They initially just wanted the G-4 to go away. We suggested the IASC was more than welcome to participate in any meetings. We had absolutely nothing to hide. Frankly, a couple of the European countries were also pounding the table that they ought to be able to be in the G4. We said, "Fine. The only thing is we're not going to waste our time debating and discussing issues with someone who doesn't have the same conceptual framework." A good many of the European countries disavowed the IASC framework as well as the FASB conceptual framework. They didn't accept financial reporting was for decision usefulness of information to outsiders. We were not going to waste our time debating accounting standards based on some different objective of reporting.

Several countries indicated that, if they had to debate the issues in terms of the framework, they were not interested. The result was that the G-4 consisted of the Anglo-American type countries. I think some of the papers that the G4+1 issued over its existence were pretty good. I accept it is easier to write a really good paper when there are no constituents complaining about the answer. However, I think we taught each other a great deal in the process of developing those papers.

In part, the G-4 + 1 may have led to the criticisms that the IASC was just not up to the task of being a truly international standards setter. You have to give the IASC an enormous amount of credit in that they essentially disbanded. They knew their existence as an organization was threatened and they instigated significant change, which is to their credit. The IASC efforts together with those of Ed Jenkins; Mike Crooch, an IASC Board member, who was a later Board member at the FASB; and Tony Cope, who was a FASB Board member, were significant. Those people were instrumental in getting the IASB formed as the IASB currently is.

JS: So the initiative for the IASB came from within the IASC?

JL: Absolutely. Now there were pressures from the outside, but they stepped up and said that we are not functioning in a manner that is going to allow us to be considered a world standard setter.

JS: Was the G4+1 on board from the beginning? Did they think it was a great idea? Or did it take some convincing?

JL: The G4+1 was supportive of the IASB reorganization, absolutely. When the IASB was formed, the G4 + 1 went out of existence.

JS: How important was the IOSCO in bringing this about, that's the International

Organization of Securities Commissioners.

JL: IOSCO was important because in a sense, if you are going to be an international standards setter you have got to get security regulators' support for doing that. A lot of credit goes to the individuals I mention, but a lot of credit also goes to IOSCO, and particularly the SEC. They were supportive of a reconstituted IASB.

JS: Did the FASB have any interaction with IOSCO at all?

JL: Oh, sure, to some extent, but almost always through the SEC, because the SEC has always been significant in IOSCO activities.

JS: In the mid-nineties, the IASB came up with a plan to reduce what it called the core set of global standards by 1998. Do you remember this plan?

JL: The old IASB? I remember it, but I don't remember details. That was when I was no longer the observer from the FASB. That would have been Tony Cope. So I don't know in detail, but I know that trying to do that and make those standards robust is one of the reasons that they concluded that they internally were not organized in a way that that was going to be operational.

JS: In July 2000, you became the first director of international activities at the FASB. How did you go from being a Board member to being back on the staff?

JL: That was a title that was dreamed up that sounded good at the time because I had done some international activities. I'd been involved with the G4+1 from its inception. The real reason I stayed at the FASB was two-fold: some international activities as I was the G4 + 1 Chair at the time but also to chair the FASB Derivatives Implementation Group. The derivatives standard was out and was effective and it raised an enormous number of issues.

JS: Tell me about the Derivatives Implementation Group because that group is quite important and it is still in existence today, is it not?

JL: I am not sure whether it still formally exists but if so, it has much less activity that it had at one time. At that time it was like an EITF, structured very similarly, with all the major auditing firms represented as well as others. We were trying to identify implementation issues. Rather than just have the staff at the FASB answer questions issue by issue, we thought many were so pervasive that we needed to have a public due process, so that the public can know what is going on, be aware of conclusions, and participate in the debates.

I was the initial chairman of the group and we just were not anywhere near done with the identified issues when my Board term ended. As a result, Ed Jenkins asked me to stay on to complete that effort. We were not going to have me do only that, so we threw in some other activities and responsibilities, and the title came out director of international

activities.

JS: At that point had you already thrown your hat in the ring for possible participation in the IASB?

JL: I did not throw my hat in the ring, per se, but I was asked once they actually were formed if I was interested in being an IASB board member and I said yes.

JS: I see, so you actually said yes the first time, this time?

JL: Yes, I said yes the first time, because I felt very strongly that once reorganized, they had an opportunity to really make some fundamental improvements in financial reporting.

JS: Did they just ask you outright to join the board or was there an interview process?

JL: Oh, no, they had Trustees that went through a very formal selection process and they announced all appointments at the same time.

JS: You had to relocate to London during that period?

JL: No, I lived here. But that's because the initial IASB was formed with six liaison board members from Australia, Japan, Canada, the United States, France and Germany. Each liaison Board member was employed by the IASB but was required to spend half-time

with their domestic board and half-time at the IASB.

JS: Did you feel like you were, in any way, a representative of the FASB or were you just a liaison in communicating?

JL: No, I was not representing the FASB's views or vice versa. It was a matter of attempting to communicate with both Boards so that we had a mutual understanding of each other's conclusions and reasoning.

JS: Soon after its formation, any organization has a lot of challenges, for instance, fundraising for an organization like this. Was funding for the IASB already guaranteed at this time? Was that something you had to worry about at all or trustees took care of that?

JL: You would have to ask trustees about funding. Board members properly pay no attention to that.

JS: Did you have to recruit any staff or do anything like that?

JL: We were involved with staff recruitment and interviews, certainly.

JS: So you pulled in people from all over the world?

JL: Yes A lot of staff came from national standards setters, either as permanent assignments

or secondments, so that we had a nucleus immediately.

JS: Does it still work that way today?

JL: There is still some of that today, although the IASB now has a significant permanent staff of their own.

JS: It was a new organization, so obviously there were a lot of new procedures to work out. Did you have a set idea in your mind of how your job would be?

JL: I knew how I wanted it to be and they were committed from day one to a very open due process, open meetings and the like. The first thing we looked at was the FASB's procedures. We did that studiously and did some things slightly differently, but by and large said if it was an acceptable process for the FASB, why wouldn't it be for us?

JS: The constituent groups of the IASB are obviously a little bit different from the FASB. How did the pressures of the job differ? I'm mostly interested in a sense of how dealing with lots of different countries –

JL: It is actually amazing the extent to which, in the due process of setting accounting standards, the issues are not terribly different from one country to the other. A given country may have a particular issue they are most interested in for some particular reason, but by and large, constituents from around the world, their participation in the comment

letter process, their impact on issues, their analysis of issues, are pretty darn similar.

Now the thing that is different about the IASB and that was troublesome from day one is Europe and the European Commission. The European Commission thought that they were entitled to have an opportunity to dramatically influence the IASB. When you set up a policy of saying that you have adopted something when you have not adopted the standards up front, but have an extraordinarily cumbersome political process to endorse the standards that are issued, standard by standard, has resulted in a process much more political than it should be. The attitudes are quite different and not healthy at all. This has put an enormous amount of pressure on the IASB. I have tried to defend the IASB when they are criticized for all the pressure the European Commission puts on the IASB. The IASB can't help it that the European Commission chooses to apply that pressure. What you have to judge is what their response to that pressure is. Unfortunately, it has not been satisfactory at all times.

JS: We definitely want to talk about that a little bit more later and maybe in regards to some of the specific issues that you all dealt with there. When you first started out at the IASB, how did you go about setting initial priorities?

JL: The IASB Board set what we thought should be on the initial agenda. A good many of them were obvious as they were already on the IASC agenda, or we already knew we did not have a standard on a given subject. We also knew that the standards we inherited, the IASC standards, had a lot of purposeful ambiguity in them. They also had contradictions

and internal inconsistencies. The most significant effort in the first two or three years was a significant cleanup of those inherited standards. Some of the best work the IASB has done has been doing that. They certainly improved them dramatically in that process.

JS: Two of the big issues were stock options and business combinations.

JL: Business combinations was on the agenda because poolings of interest were still allowed in the international literature and we knew that had to change, or at least, thought that it should.

JS: Did the FASB and the IASB work together on that?

JL: They did on BusCom 2. FAS141 was already done in the U.S. We put stock options on the agenda because some of us who did not like the FASB answer wanted a superior answer and did not believe that it was sustainable to have no IASB standard whatsoever on stock options. We put it on the agenda and probably pushed the FASB into putting it back on their agenda earlier than they might have without IASB activity.

JS: Let's talk about the political context at this time. This was when many of the big accounting scandals were starting to come out. Enron hit, really in the course of 2002. How did that impact the IASB's work?

JL: I don't think it impacted the IASB's work at all. I think it impacted perceptions about the

IASB and the FASB and accounting standards. It has had a not very desirable effect that lingers. There's a real tension in that the IASB likes to call their approach principles-based. I have publicly said I have no idea what they mean by that, but I know what some constituents mean from reading letters and conversations. What they mean is a standard that's not very rigorous and allows implicit alternatives, because they would say, "Well, we're just allowing judgment." The parameters of the judgment desired are so wide at times that it would be difficult to say that you had produced an accounting standard.

Enron and the like caused the rest of the world to say, "See? The U.S. way of more detailed, robust standards does not work because they are too easy to get around." Well, that's a vacuous statement. People at Enron ignored the standards, so I don't think the argument is forthright. Also, if the standard allows one to do virtually anything, there is nothing to try and avoid.

JS: There's a big debate even in the United States over whether things like Enron were caused by accounting standards. You could well say that it was an enforcement issue or a professional standards issue.

JL: Absolutely, not particularly an accounting standards issue, although unfortunately, the things that Enron ignored were not the best of the accounting standards in the United States. I think they obviously could be and should be improved, and have been, in some respects, in response to Enron. I don't know whether it would have mattered what standard was in place. They were ignoring the standards anyway.

JS: Just to switch back to national U.S. standards for a second, were you asked to offer any input into the process that led to Sarbanes-Oxley?

JL: I personally was not involved in Sarbanes-Oxley, no. Both Board chairman in that period, Ed Jenkins and then Bob Herz, had significant involvement with, particularly I believe, Senator Sarbanes.

JS: What did you think of the creation of PCAOB?

JL: I have no opinion on auditing anymore. I'm not qualified to answer auditing questions. I haven't audited anything in twenty-eight years. I probably have nothing to add to that subject.

JS: Were you involved in the creation of the 2002 Norwalk Agreement, between the IASB and the FASB?

JL: Sure, both boards were. Both boards were significantly involved in the agreement, although more has been made of that agreement than I think is necessary, because both Boards had been working together anyway.

JS: But it sent a signal.

JL: It sent a signal and a perception and that's why it was done. Yes, we were all in agreement about it. I don't think it was controversial internally, or even externally, because people that had watched the process could see we'd been working together, and everyone knew our respective agendas.

JS: Whose idea was it to work on business combinations?

JL: Business combinations, I don't think that there was any debate within the IASB on day one to put business combinations on the agenda because of the anomalous pooling accounting. It was widely recognized as a major international issue.

JS: Then in October 2004, at a joint meeting, the FASB and the IASB decided to add to their agendas a joint project on creating a conceptual framework. What was the goal behind that project?

JL: We both had conceptual frameworks, and they are very, very similar, so we were not creating a framework. That shouldn't be a surprise. The FASB framework was in place when the IASB framework was written. There are several frameworks around the world and they all are very similar. There are nuanced differences and wording differences so that sometimes those words make more difference than you might think they would.

JS: Can you give me an example of that?

JL: Yes. The definitions of assets and liabilities. They are slightly different. Since these are fundamental, you must have a common understanding of what you mean by those definitions. There were differences even in the words involving the objective of financial reporting, decision usefulness and qualitative characteristics of useful information. We decided to just take the two frameworks because they were very similar and not start over, but determine what we could agree on around the objective of financial reporting, which is now completed, and what we could agree on about qualitative characteristics of decision-useful information, which is now completed.

The Boards are in the process of defining the reporting entity, which curiously has never been in either framework. Where we have bogged down is on recognition and measurement and the elements definitions. We worked very hard for about a year on those issues, but the framework has been put on the back burner, to accomplish June 30, 2011 goals.

My personal opinion is that the project is still the most important one on the agenda of either Board. I don't know what will happen to it after June 30, 2011. I also know that the failure to address the framework has resulted in inconsistent answers that are forthcoming in some of the memorandum of understanding projects. It also has been very inefficient for the standards setting process, because the same issues are debated over and over again in the context of the separate projects.

JS: The first memorandum of understanding that you were talking about was in 2006. Do

you think that that's the right way to go about achieving convergence, to set memorandums of understanding and then work on each issue individually? Is that the best way to do it?

JL: I think the 2006 decision was the right decision. Perhaps its implementation, in hindsight, has been sub-optimal. But the 2006 memorandum of understanding was instigated when Chairman Donaldson was at the SEC with Don Nicolaisen as the chief accountant. The alternative to doing what was agreed is called a differences approach. You take a look at differences and conclude there are these 75 things, or maybe 575 things, that are different between U.S. GAAP and IASB, so put all of those on the agenda and resolve them.

At first we were using a different approach for some issues by trying to select which standard had the preferable answer. But we had more difficulty identifying what was preferable than perhaps one might have thought. More importantly, at that time, the leadership of the SEC, with the concurrence of the European Commission and others, said, "Quit trying to reconcile all the differences. Back up and say, 'What are the really major differences? What areas are significant and what areas have very unsatisfactory literature, both in the United States and internationally?'" In other words, where are your big problem areas? What were identified became the MOU projects. Those issues were identified as ones where the accounting standards were deficient. Don't try and reconcile bad standards. Leases would be the poster child for that. Start over. That process was instigated then and properly so.

Now I think what was wholly unrealistic is suggesting that such a long list of vexatious issues that had troubled people for twenty-five years were going to get resolved by June 30, 2011. It's ludicrous to have reached that conclusion. Of course, they reached it and reached it again later on by reaffirming it but changing the definition of what constitutes "done." One of the ways you can get done with things is change the definition of "done."

As a practical matter, many of the issues on that original MOU are not done at all and have not even been seriously worked on. Work has been attempted, but when answers were not forthcoming, the issues were dropped to concentrate on the issues of financial instruments, revenue recognition, leases, and the fair value project, which the IASB and FASB will get done – but remember, that's because Statement 157 was already done in the United States. Another priority became insurance accounting, which was not even on the MOU, but is a priority of the IASB. The revenue recognition, insurance accounting, and leases projects have been where almost all of the energy of the last year or two has been spent, plus our old favorite, financial instruments.

JS: That has been a source of tension between the IASB and the European Commission.

JL: It is also a tension between the IASB and the FASB, because the IASB went ahead and issued, because of the demands of the European Commission, IFRS 9. The Commission said it was essential that it be done by a given date so that it could be adopted, and then they chose to not endorse it, so it could not be adopted anyway. Now there has been a

line drawn, but it has demonstrated that the only way to achieve convergence is to contemporaneously work on the issues.

Where we get in trouble is when one board moves ahead of the other, because no matter which one that is, once one board has resolved an issue, the other board feels somewhat compelled to get that same answer, which they might not be inclined to do. Then there becomes, as the boards call it, a leap-frogging approach, where one can never get done. I think clearly the right answer is what we started out to do, which is identify the major issues, simultaneously debate them and resolve them, but the pace of that did not satisfy certain groups for reasons that, in some respects, I don't understand, because the alternative approach will not get done either.

JS: So now that you have delivered a very effective critique of deadlines and people's willingness to stick to them, I'm a little hesitant to ask you my next question, which is whether you would care to wager a guess as to what date we will be able to declare a convergence between American and international standards.

JL: I don't know, because I think a lot of that depends on what happens politically. One scenario could be never. Another scenario could be in some number of years.

JS: So you think that will be the key?

JL: What is important to remember is the list of projects on the MOU. Remember that list is

what was judged deficient in U.S. accounting as well as international. Many of those needed improvements have yet to be made.

JS: Let's talk briefly about the last year. You left the IASB in June 2010. What made you decide it was time to leave?

JL: My terms were up.

JS: That's a pretty good reason.

JL: Yes, I had no more terms to serve, so it was easy.

JS: You found a place back here at the FASB?

JL: Bob Herz and Russ Golden, who was then the director of the staff here, both asked me to stay here in part because the convergence process was still going on and obviously I had a lot of IASB familiarity and a lot of FASB familiarity as well. I said yes. I like working on the technical issues and that is what I have been doing, working on almost exclusively technical issues.

Plus, they have been under such an extraordinary meeting schedule that the ability for board members of the FASB to do the things that they, themselves, would like to be doing, such as public speaking, has been limited. I have been doing some of that for

them as well. It has so far been a nine or ten month experiment, but working out all right, I think.

JS: That's good to hear. Let's just wrap up with a final couple of questions. I just wanted to ask you about the relations between the FASB and the SEC, based on your broad experience. Do you think they worked well together?

JL: I think the SEC and the FASB have always worked well together. There have been episodic tensions at points in time when they could have worked differently than they did, but I think there has been a commendable relationship between the two.

JS: How much difference do you think that it makes who is commissioner of the SEC and, who is the chief accountant? How much difference do personalities make?

JL: Well, personalities can make that relationship work easier or less easy. I don't think there is any doubt about that. Overall they have a mutual interest in having the relationship be a sound one. There might be tensions over some issues, but I think the bigger picture always prevails and people decide, we have to have this work out. I don't see how that changes.

JS: Are there any final thoughts, looking back on your long career in accounting?

JL: No.

JS: Okay, great. Jim Leisenring, thank you very much for talking with us today.

JL: Thank you.

[End of Interview]