



## COMMITTEE ON CORPORATE REPORTING

September 13, 2010

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

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The Committee on Corporate Reporting (“CCR”) of Financial Executives International (“FEI”) appreciates the opportunity to share its views on the Proposed Accounting Standards Update Fair Value Measurements and Disclosures (Topic 820), Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS, (the “proposed ASU”).

FEI is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior financial executives. CCR is a technical committee of FEI, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. This document represents the views of CCR and not necessarily the views of FEI or its members individually. We support the Board’s efforts to converge its fair value standards with those of the IASB. However, we are concerned that some of the proposed changes may give rise to unintended consequences and create a costly burden for preparers that may not ultimately achieve the objective of providing investors with decision-useful information.

### Additional Disclosures about Fair Value Measurements

We strongly disagree with the additional fair value disclosures in the proposed ASU. There has been a steady expansion of such disclosures since issuance of Statement of Financial Accounting Standard (FAS) 157 and we respectfully request that the Board reassess the basis for adding significantly to them. While the proposed ASU indicates that users have requested these additional disclosures, our member companies do not receive any questions on these fair value disclosures today and are not aware of any unmet investor need for the additional disclosures. We disagree with the following proposed disclosures:

1. The requirement to disclose the effect on a fair value measurement of changing one or more unobservable inputs that could have reasonably been used to measure fair value in the circumstances, and

2. Use of an asset in a way that differs from the asset's highest and best use when that asset is recognized at fair value in the statement of financial position on the basis of its highest and best use.
3. The categorization by level of the fair value hierarchy for items that are not measured at fair value but for which fair values are disclosed elsewhere in the financial statements.

The first disclosure item, preparing a measurement uncertainty analysis, will require a significant amount of time and effort in order to be applied to a large population of fair value measurements that a typical company must prepare each reporting period. Furthermore we believe that this disclosure will be operationally challenging to implement and cannot be aggregated (except in the simplest of fact patterns) in any meaningful way that will achieve the desired disclosure objective. Said differently, in order to obtain decision useful information from this disclosure, an investor would need to understand the specific measurement and the related uncertainty about the individual measurement assumptions for a group of homogeneous items. This would otherwise require a fairly lengthy and detailed disclosure of a large number of individually insignificant items, which naturally leads to a need for aggregation. Once that occurs, whatever potential benefit there was is lost in the amalgamation of dissimilar items. As we observed previously, this burden will grow significantly if other standards that increase the use of fair value measurements are finalized as proposed (e.g., Accounting for Financial Instruments and Investment Properties). We ask the Board to take the time to examine the breadth and complexity of existing fair value disclosures and ask whether this additional disclosure requirement is really necessary and beneficial, taking into consideration our concerns above.

With regard to the second disclosure item, the Board has already achieved its primary objective by requiring the asset to be measured at a fair value that represents its theoretical highest and best use. The most common disclosure that would be provided to investors under this new requirement is that the Board's definition of fair value requires the entity to disregard the cash flows that it will actually generate from the asset through its intended use and instead record it at its hypothetical fair value in a sale to a hypothetical market participant. Often times, that higher value can only be obtained by changing the use of the asset from its core purpose as part of the entity's ongoing activities. Providing such explanations simply underscores and highlights differences between the underlying accounting theory for the Board's fair value definition and economic reality. We would recommend that you not compel that type of disclosure.

With respect to the third item, the Proposed ASU extends the existing categorization requirement to fair value measurements that are only provided through supplemental disclosure, such as loans held for investment. We observe that the existing disclosures of fair value measurements within the fair value hierarchy are intended to provide meaningful information to users about the relative subjectivity of such measurements recorded in the principal financial statements. Reporting "disclosure-only" fair value measurements within the fair value hierarchy is not necessary because fair value is not the primary measurement attribute for these instruments and therefore does not affect amounts recorded to the financial statements. The FASB implicitly supported this rationale in the Basis for Conclusions of FAS 157 when it specifically considered and ultimately decided not to require the application of the fair value

hierarchy disclosure requirements to “disclosure-only” fair value measurements. We believe that this was the right decision and that the Board should abide by it.

#### Fair Value Hierarchy Significance Threshold

Without providing any justification, the proposed guidance eliminates the significance threshold for transfers within the fair value hierarchy recently established in ASU 2010-065. Companies have modified their processes to capture significant transfers and comply with these recently effective disclosure requirements. We do not agree with the removal of the significance threshold because the disclosure of insignificant transfers will not alleviate users concerns regarding reliability and transparency associated with fair value measurements. In addition, we do not believe the FASB has provided support for why the benefit of revising its recently effective disclosure guidance outweighs the additional costs associated with the change, especially during a time period when companies are coping with the review and implementation of a significant number of new accounting standards.

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We appreciate the Board’s consideration of these comments. We are available to discuss these matters at your convenience.



Loretta Cangialosi  
Chairman, Committee on Corporate Reporting  
Financial Executives International