

Deloitte.

Deloitte & Touche LLP
695 East Main Street
Stamford
USA

Tel: +1 203 708 4000
Fax: +1 203 708 4797
www.deloitte.com

February 24, 2016

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

File Reference No. 2015-350

Re: Proposed Accounting Standards Update, *Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*

Dear Ms. Cospers:

Deloitte & Touche LLP is pleased to comment on the FASB's proposed Accounting Standards Update (ASU) *Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*.

We support the FASB's ongoing efforts to improve the effectiveness of disclosures in the notes to financial statements. In addition, we support the finalization of the proposed ASU, since it focuses on matters that are meaningful to financial statement users. However, as discussed below and in the appendix, we believe that the Board should make certain improvements to the proposed guidance before finalizing it.

Change in Unrealized Gains and Losses

Under ASC 820-10-50-2(d), entities are currently required to disclose, for Level 3 fair value measurements, the amount of the total change in unrealized gains and losses for the period "included in earnings (or changes in net assets) . . . relating to those asset and liabilities held at the end of the reporting period." Although separately providing similar information for each level of the fair value hierarchy may benefit financial statement users, we believe that the benefits of expanding this disclosure requirement to Level 1 and Level 2 fair value measurements would not outweigh the costs of tracking such information. We recommend that the Board instead require entities to disclose this information in its entirety for all levels (a new requirement) and for Level 3 separately (as is currently required). Under such an approach, users would have information about Level 3 fair value measurements and fair value measurements for all levels on a combined basis.

Range, Weighted Average, and Time Period Used to Develop Significant Unobservable Inputs

We support the Board's efforts to enhance disclosures about fair value measurements categorized in Level 3 of the fair value hierarchy by adding a requirement to disclose the range and weighted average of significant unobservable inputs. However, we do not see the purpose of disclosing the time period used to develop a significant unobservable input and thus do not support adding this proposed disclosure requirement. The proposed ASU's Basis for Conclusions does not explain how users would benefit from the time-period disclosure. We can only assume that the Board believes that such a disclosure would

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help users understand whether seemingly similar significant inputs used by different entities are comparable. However, time periods could be misleading because it does not provide information on how this historical information may have been adjusted or weighted, and from our perspective, the weighted average and range disclosures can already be used to assess comparability, which makes the proposed time-period disclosures unnecessary.

The appendix below contains our responses to proposed ASU's questions for respondents.

We appreciate the opportunity to comment on the proposed ASU. If you have any questions about our comment letter, please contact Adrian Mills at 203-761-3208.

Yours truly,

Deloitte & Touche LLP

cc: Jonathan Howard
Robert Uhl

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Appendix
Deloitte & Touche LLP
Responses to Proposed ASU's Questions for Respondents

Question 1: Would the proposed amendments result in more effective, decision-useful information about fair value measurements? If not, please explain why. Would the proposed amendments result in the elimination of decision-useful information about fair value measurements? If yes, please explain why.

While we encourage the Board to address this issue directly with financial statement users, we have concerns about two of the proposed disclosure requirements:

1. **Additional requirement to disclose changes in unrealized gains and losses for the period included in other comprehensive income and earnings for Level 1, Level 2, and Level 3 fair value measurements at the end of the period:** Under ASC 820-10-50-2(d), for recurring fair value measurements categorized as Level 3, entities are currently required to disclose the total change in unrealized gains and losses for the period included in earnings (or changes in net assets). If this requirement is expanded to Level 1 and Level 2 fair value measurements, entities will need to separately track changes of positions categorized in these other levels, including transfers between these categories. Such a requirement would increase cost and complexity without providing a clear benefit. We recommend that the Board instead require entities to disclose changes in unrealized gains and losses as a whole for all levels and separately for Level 3. Under such an approach, financial statement users would have additional information but entities would not need to separately track and report on Level 1 and Level 2 changes. Such a requirement would be consistent with the logic behind the proposed amendment that removes the requirement for entities to disclose transfers between Level 1 and Level 2 of the fair value hierarchy under ASC 820-10-50-2(bb).
2. **Additional requirement to disclose the time period used to develop significant unobservable inputs (for Level 3 fair value measurements):** Entities are currently required to provide quantitative information about significant unobservable inputs used in Level 3 measurements. We support the proposal's additional requirement for entities to disclose the range and weighted average of these inputs. However, we do not agree with the requirement for entities to disclose the time period used to develop such inputs since such a requirement does not appear to result in incrementally useful information. If the purpose of the disclosure is to help users compare entities (we believe that the Basis for Conclusions is unclear on the purpose of this disclosure), such comparability can be adequately discerned on the basis of disclosures about the range and weighted average. Further, we are not aware of any other financial reporting estimate for which the Codification requires disclosure of the historical time period used to develop that estimate, presumably because such disclosure is of little value or can be misleading if the historical information is adjusted or weighted.

If the Board decides to retain this disclosure requirement, we recommend that it provide an example or guidance that addresses situations in which an entity uses a single point in time or a time period that is shorter than one year (e.g., under the fair value technique, an entity might use inputs that are two months old as the best evidence of fair value when no further adjustments are deemed necessary).

We encourage the Board to carefully consider the benefits of requiring entities to disclose the time period used to develop significant unobservable inputs to ensure that the final standard does not require disclosure of information that may be of little relevance and is potentially misleading.

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Question 2: Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?

We believe that the proposed disclosure requirements are auditable.

Question 3: Would any of the proposed disclosures impose significant incremental costs? If so, please describe the nature and extent of the additional costs.

While we defer to preparers' views on the potential incremental costs of the proposed disclosures, we believe that the benefits of some of the additional disclosures would not outweigh the costs associated with the preparation of such information. See our response to Question 1 for more details about our concerns with certain proposed disclosures.

Question 4A: The proposed amendments would apply to all entities, except for certain requirements in paragraph 820-10-50-2(bbb) through (d), for which private companies would be exempt. Do you agree with the exemption for private companies? If not, please describe why and which disclosures should be required for private companies.

We agree with the exemption for private companies.

Question 4B: Should entities other than public business entities (for example, employee benefit plans and not-for-profit organizations) also be exempt from the proposed amendments mentioned in Question 4A? If yes, please describe why and which disclosures they should be exempt from.

In our experience, information relevant to the financial statements of public companies may not always be relevant to the financial statements of employee benefit plans and not-for-profit organizations (and vice versa). We can understand why, as with the rationale for private companies, some of the information subject to this proposal that is relevant to public entities may be irrelevant or less relevant to other types of entities. Accordingly, we believe that it would make sense for entities other than public business entities to be exempt from the proposed amendments mentioned in Question 4A.

Question 5: The proposed amendments to paragraph 820-10-50-2(bbb) require that a reporting entity disclose the weighted average of significant unobservable inputs used in Level 3 fair value measurements. Are there classes of financial instruments for which this disclosure is inoperable or does not provide meaningful information? If yes, please describe those classes of financial instruments and explain why.

We have not identified a class of financial instruments for which the disclosure of the weighted average of significant unobservable inputs used in Level 3 fair value measurement is not operable.

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Question 6: The proposed amendments to paragraph 820-10-50-2(bbb) require that a reporting entity disclose the time period used to develop significant unobservable inputs. What would be the costs associated with including this disclosure? Would this disclosure provide more effective, decision-useful information?

See our response to Question 1 for our concerns regarding the proposed requirement to disclose the time period used to develop significant unobservable inputs.

Question 7: Are there any other disclosures that should be required by Topic 820 on the basis of the proposed Concepts Statement or for other reasons? Please explain why.

We have not identified any other disclosures that should be required by ASC 820.

Question 8: Are there any other disclosure requirements retained following the review of Topic 820 that should be removed on the basis of the proposed Concepts Statement or for other reasons? Please explain why.

To see how the Board applied the decision questions from the proposed Concepts Statement to Topic 820, see *Decision Questions Considered in Establishing Disclosure Requirements*.

We do not believe that any other disclosure requirements should be removed.

Question 9: How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by nonpublic business entities be different from the amount of time needed by public business entities? Should early adoption be permitted? If yes to either question, please explain why.

While we defer to preparers' views on the time needed to implement the guidance in the proposed ASU, we do not believe that a long transition period would be needed. The effective date for nonpublic business entities should be consistent with that for public business entities. Entities should be allowed to early adopt this guidance.