Ford Motor Company
World Headquarters
One American Road
Dearborn, MI 48126

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

VIA EMAIL: director@fasb.org

File Reference: Comments on "Exposure Draft: Fair Value Measurement (Topic 820) - Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions"

Ford Motor Company ("Ford"), a global automotive industry leader based in Dearborn, Michigan, designs, manufactures, markets and services a full line of Ford and Lincoln vehicles (increasingly electrified); provides financial services through Ford Motor Credit Company LLC; and is pursuing leadership positions in electrification; mobility solutions, including self-driving services; and connected vehicles services. We appreciate the opportunity to provide input on your "Exposure Draft: Fair Value Measurement (Topic 820) – Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions."

We support the concept that a contractual restriction on the sale of an equity security is not considered part of the unit of the account of the equity security. Therefore, we think the proposed updates add clarity to the guidance without changing the principles of fair value measurement.

Please see the attached responses to the proposed questions for our detailed feedback.

We appreciate the Board's consideration of our views.

Sincerely,

Julie A. Garity
Director, Global Accounting Policy
Julie.garity@ford.com

Fair Value Measurement (Topic 820)

RESPONSE TO QUESTIONS

Question 1 – Restriction Type: Do you agree with the Board's decision on scope to include all contractual restrictions that prohibit the sale of an equity security? Please explain why or why not.

Yes, we agree that all contractual restrictions that prohibit the sale of an equity security should be in scope. As stated in BC8, it would be arbitrary to limit the scope to restrictions from an underwriter lock-up agreement while not including other similar contractual sale restrictions. In addition, since the proposed guidance is intended to clarify and improve the current GAAP by reducing diversity in practice, we believe that all contractual restrictions should be in scope to ensure consistency.

Question 2 – Measurement: Do you agree with the Board's decision that a contractual restriction prohibiting the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, should not be considered in measuring fair value? Alternatively, should the Board amend the guidance in Topic 820 (or elsewhere in GAAP) such that contractual sale restrictions would be required to be considered in determining fair value?

We agree that a contractual restriction prohibiting the sale of an equity security is not considered part of the unit of account of the equity security and should not be considered in measuring fair value.

ASC 820 states that when measuring fair value, a reporting entity shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the assets or liability at the measurement date. We agree with the view that a contractual restriction prohibiting the sale of an equity security is a characteristic of an agreement between two parties rather than a characteristic of the actual security itself. Therefore, it should not be considered part of the unit of account when measuring fair value.

In addition, the unit of account as described in the Measurement sections of Topic 321, Investments – Equity Securities, is an individual security. This supports considering only the individual equity security and not the contractual agreement as part of the unit of account when determining fair value since ASC 820 does not change the unit of account prescribed by other standards.

Question 3 – Entity Type: Should all types of entities use the same unit of account when measuring the fair value of an equity security subject to a contractual sale restriction, or should certain types of entities (for example, investment companies, broker dealers, and pension plan financial statements) have a different unit of account? Please explain your response.

Our feedback is from the perspective of a public business entity only; we are not commenting on the applicability to other types of entities.

Question 4 – Disclosures: Would qualitative or quantitative disclosures (for example, describing the nature of a contractual sale restriction on an equity security and the related amount recognized on the balance sheet) help users in understanding the effects of a contractual restriction on the sale of an equity security held by a reporting entity? Please explain why or why not. For reporting entities, what costs would be incurred to disclose that information?

We believe that qualitative or quantitative disclosures regarding the nature or effect of a contractual sale restriction on an equity security could benefit users of financial statements, but only if the carrying value of the security is material to the reporting company's balance sheet.

If additional disclosures were required, the costs would be minimal.

Question 5 – Transition: Do you agree with the transition guidance in this proposed Update? Please explain why or why not?

Yes, we support the proposed transition guidance.

Question 6 – Implementation: How much time would be necessary to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities? Please explain your response.

We do not expect significant additional time would be required to implement the proposed amendments. Entities that presently apply a discount factor to the fair value of securities with contractual sales restrictions would need to update processes and procedures, and communicate the change within their organizations, as well as to the users of their financial statements (if significant). We expect this guidance would mainly be applicable to our portfolio of equity securities without readily determinable fair values (formerly called cost method investments) that have contractual sale restrictions that are triggered by an initial public offering.

We have no comments on the amount of time needed for implementation by entities other than public business entities.

Question 7 – Clarity and Operability: Do you agree that the proposed amendments and, in particular, the definition of a restricted security provide the necessary clarity to resolve existing diversity in practice? Please explain why or why not. Are the proposed amendments operable and auditable? If not, which proposed amendment or amendments pose operability or auditability issues and why?

Overall, the proposed amendments provide the necessary clarity to ensure consistent practice. They introduce the term "restricted security" and explain the difference in how *restricted securities* and *contractual restrictions on the sale of equity securities* are handled in fair value measurement. This distinction between the types of securities provides clarity that was lacking in the previous guidance.

The definition of a restricted security is a helpful addition to the Master Glossary. The definition provides a detailed explanation of what would cause a security to be considered restricted. This is information that had to be interpreted by each individual entity rather than specified as part of the existing guidance.

While the proposed amendments provide helpful guidance regarding the treatment of restrictions on securities in relation to fair value measurement, clarifying the differences in fair value measurement depending on the type of restriction earlier in the section would be helpful. The additions to sections 820-10-55-52 and 820-10-55-52A provide clarifying examples on the difference between a restricted security and an equity security subject to contractual sale restrictions and how the differences should be considered when determining fair value. A recommendation to ensure clarity of the distinction between the two would be to add a reference in section 820-10-35-2C or in 820-10-55-51 (where unit of account language has already been added) to include the fact that the restriction is part of the unit of account of a restricted security but not part of the unit of account of an equity security with a contractual sale restriction. This would ensure the difference between the type of restriction is understood by the reader prior to reading the examples.

Also, since the proposed update eliminates the need for each individual reporting entity to determine an appropriate discount factor to apply to its securities with a contractual sales restriction, this will allow for better comparability between entities. It will also eliminate the cost related to ongoing support and audit of the discount factor.

In our opinion, the proposed amendments are operable and auditable.