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LETTER OF COMMENT NO. 17

16 June 2008

Proposed FASB Staff Position No. ARB 43-a, Amendment of the Inventory Provisions of Chapter 4 of ARB No. 43

Dear Mr. Golden:

UBS appreciates the opportunity to comment on proposed FASB Staff Position No. ARB 43-a, Amendment of the Inventory Provisions of Chapter 4 of ARB No. 43 ("the proposed FSP"). UBS is a global financial services firm with trading activities in a variety of commodities. Our consolidated financial statements are prepared in accordance with International Financial Reporting Standard (IFRS), and we have several significant subsidiaries that prepare stand-alone financial statements in accordance with US GAAP.

We support the principles underpinning the proposed FSP, and we have responded to certain questions put forward in the proposed FSP's notice for recipient (please refer to the Appendix of this letter). We encourage the Board to issue the proposed FSP and then begin a project to address other nonfinancial assets and nonfinancial liabilities that should be measured at fair value.

The summary of the proposed FSP discusses IAS 2, Inventories, noting that "Commodity broker-traders measure their trading positions at fair value." IAS 2's provisions specifically require commodity inventories of broker-traders to be measured at fair value less costs to sell (refer to paragraph 3(b) of IAS 2). Those measurement attributes are not the same and should be referenced accordingly.

The proposed FSP's scope is broader than the scope exception granted to commodity broker-traders in IAS 2. We would encourage the Board to discuss this matter with the IASB for purposes of convergence. We believe that the proposed FSP's approach to application, that is, requiring fair value measurement for trading activities, is principles-based and technically superior to the scope exception granted in IAS 2. This is based on our view that fair value measurement most appropriately reflects the economics of trading activities.

If you have any questions regarding the comments we have made, please do not hesitate to contact John Gallagher at (203) 719-4212 or Mike Toyey at (203) 719-8164.

Kind regards

UBS AG John Gallagher Managing Director Accounting Policy and Support

Mike Tovey
Executive Director
Accounting Policy and Support

FASB Staff Position No. ARB 43-a, Amendment of the Inventory Provisions of Chapter 4 of ARB No. 43 Page 2 of 2

Appendix Responses to Certain Questions

1. Would you prefer the alternative approach to limit the scope of the proposed FSP to commodity inventories that are not used in production, wholesale, retail, or distribution activities? Why or why not?

We do not prefer the alternative approach that puts emphasis on the nature of the inventory rather than the nature of the business activity. We think that the business activity of trading inventories should be the main driver in determining the appropriate accounting as it more faithfully represents the associated economic transactions.

2. Would you prefer the alternative approach to limit the scope of this proposed FSP to inventories included in an entity's trading activities that have readily determinable fair values? Why or why not?

No. Statement 157, *Fair Value Measurements*, provides no basis to create differential accounting based on the objective evidence available to support a fair value estimate. Further, Statements 133 and 159 also provide no such basis. Additionally, we believe that the Board's decision to provide guidance based on the nature of the trading activities rather than the nature of the inventory or the nature of the objective evidence available to support a fair value estimate is a theoretically superior and principles-based approach.

3. Do you believe that the Board should consider a broader scope project that would include all contracts and assets or liabilities within an entity's trading activities even if it would result in significantly delaying the issuance of final guidance? Why or why not?

We would encourage the Board to finalize the guidance as soon as possible. However, we believe that the Board should pursue a project to evaluate whether other types of nonfinancial assets and nonfinancial liabilities should be carried at fair value. Such research was being performed within the confines of phase two of the fair value option project. We understand that that project has been effectively put on hold because of the tentative recommendations of the SEC's Advisory Committee on Improvements to Financial Reporting. We believe that other types of nonfinancial assets and nonfinancial liabilities are best measured at fair value, for example, contracts related to trading activities and real estate investment properties. Our view is based on the notion that fair value most faithfully reflects trading and investment activities of an entity. Consequently, we encourage the Board to consider a broader scope project that would provide fair value accounting for certain other nonfinancial assets and nonfinancial liabilities.

4. Do you believe that the measurement attribute for inventories should be subject to an entity-wide accounting policy election? Why or why not?

Consistent with our responses to Questions 1 and 2, we believe that the proposed FSP's focus on trading activities is theoretically superior and principles-based. Because we believe that fair value measurement most appropriately reflects the economics of trading activities, we support the proposed FSP's mandatory requirement for inventories included in an entity's trading activities.