



financial executives
international



LETTER OF COMMENT NO. 32

Committee on Private Companies

Mr. Russell Golden
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116
Sent by email to director@fasb.org

File Reference: Proposed FSP FAS 107-b and APB 28-a

Dear Mr. Golden:

The Committee on Private Companies ("CPC") Standards Subcommittee of Financial Executives International ("FEI") wishes to express its concern about Financial Accounting Standards Board's ("FASB's") proposed FASB Staff Position (FSP) No. FAS 107-b and APB 28-a, *Interim Disclosures about Fair Value of Financial Instruments*. (the "proposed FSP").

FEI is the leading advocate for the views of corporate financial management in the United States. It is a professional association of more than 15,000 CFOs, treasurers, controllers and other senior financial managers. With approximately 7,500 members from private companies, FEI has a strong base of knowledge to draw upon with regard to the financial reporting needs and requirements of the private sector. The CPC is a technical committee of FEI, which formulates private company positions for FEI in line with the views of the membership. This letter represents the views of the Committee on Private Companies Standards Subcommittee and not necessarily the views of FEI.

We wish to express our appreciation to the board for extending the proposed effective date in this proposed FSP vs. the earlier proposal which this replaces (proposed FSP FAS 107-a), which would have had a retroactive effective date. We also appreciate FASB provided a longer comment period on this proposed FSP than the prior proposal.

However we continue to believe, as stated in our comment letter filed on Proposed FSP FAS 107-a, that we have not seen interest among users of our financial statements nor received requests for such information from our users for the proposed disclosures. The lack of interest among users of our financial statements in the proposed disclosures, combined with the difficulties in assessing a fair value for instruments that are not commonly fair valued, particularly by nonfinancial companies, and moreover, imposing these disclosures on an interim basis, does not appear to meet a usefulness test, nor a cost benefit test, for private companies.

We therefore reiterate our position in our letter on Proposed FSP FAS 107-a, that private companies be exempted from Proposed FSP FAS 107- b.

If the board does not exempt private companies from this standard, then we recommend an additional amendment to the scope out for nonpublic companies set forth in FAS 126, *Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities—an amendment to FASB Statement No. 107*. Currently FAS 126 exempts from the FAS 107 disclosures those nonpublic entities with assets below \$100 million and without any derivatives (other than certain mortgage commitment related derivatives).

We recommend the scoping language pertaining to nonpublic entities be changed to reference only a total assets threshold, without regard to whether or not a nonpublic entity has derivatives. The reason why we recommend this change is because derivatives such as interest rate swaps and other derivatives are more commonly used today than when FAS 126 was written; there can also be further complications in determining if the scope out language applies if one were to consider embedded derivatives.

Additionally, while we acknowledge and support the need for the practicability exception for such disclosures in FAS 107 (cited in paragraph A1 of the proposed FSP), we do not believe the existence of the practicability exception should be used as a substitute for offering a reasonable initial effective date. Therefore we strongly recommend that FASB extend the effective date of the final standard, with respect to private companies (if not all companies), to **fiscal years beginning** after March 15, 2009 and interim periods within those fiscal years, rather than the proposed effective date of interim and annual periods ending after March 15, 2009. Private companies need sufficient time to learn about the standard, implement it, analyze the results and involve their auditors and potentially other valuation professionals as appropriate. Therefore we do not see, for private companies in particular, that it would be reasonable to make the proposal effective as currently proposed by FASB.

Thank you for considering our comments. If you have any questions or wish to discuss this issue please feel free to contact me at 412/257-3885 or Bill.Koch@ddiworld.com, or Edith Orenstein at FEI 973/765-1046 or eorenstein@financialexecutives.org.

Sincerely,

A handwritten signature in black ink, appearing to read "William Koch". The signature is fluid and cursive, with a prominent loop at the end.

William Koch
Chair, Standards Subcommittee
Committee on Private Companies
Financial Executives International