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October 12, 2009

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

File Reference: 1710-100
Re: Proposed Accounting Standards Update — *Improving Disclosures About Fair Value Measurements*

Dear Mr. Golden:

Deloitte & Touche LLP is pleased to comment on the FASB's proposed Accounting Standards Update of Fair Value Measurements and Disclosures (Topic 820), *Improving Disclosures About Fair Value Measurements* (the "proposed ASU").

We support the Board's efforts to enhance the disclosures about assets and liabilities that are measured at fair value and to converge the disclosure requirements with IFRS 7, *Financial Instruments: Disclosures*. Furthermore, we strongly support the Board's efforts to improve disclosures by obtaining input from a variety of preparers of financial statements about the operational aspects of the sensitivity analysis, including the complexity and costs of preparing the proposed disclosures. Providing sensitivity disclosures may prove challenging for certain reporting entities that do not currently provide this information or do not have it readily available (e.g., they may be required to upgrade their systems).

We encourage the Board to determine, in particular, as part of the outreach to the preparers of financial statements, whether sensitivity analysis is operational for fair value measurements of equity instruments. Valuations commonly used in estimating the fair value of equity instruments are often based on multiple techniques (e.g., income approach, market approach) and a significant number of inputs, and we are therefore concerned that reporting entities may find it difficult to determine reasonably possible alternative inputs as a result of the numerous correlations between changes in significant inputs and the iterative changes they may cause. We recognize, however, that the sensitivity analysis may not be as complex to provide for financial instruments, such as certain common debt instruments, because significantly fewer inputs are used in estimating their fair value (e.g., interest rates, credit risk, prepayment).

Thus, we encourage the Board to carefully weigh the benefits of requiring the proposed disclosures for equity instruments against the costs of preparing them.

Appendix A provides more detailed comments about some aspects of the proposed disclosures and our responses to the specific matters on which comment was requested by the FASB. Appendix B contains our other suggestions for the proposed ASU.

* * * * * *

We appreciate the opportunity to comment on the proposed ASU. If you have any questions concerning our comments, please contact Beth Ann Reese at (203) 761-3067.

Yours truly,

Deloitte & Touche LLP

cc: Robert Uhl

APPENDIX A
Deloitte & Touche LLP
Responses to the Proposed ASU's Questions for Respondents

Issue 1: With respect to the disclosure of the effect of changes in reasonably possible, significant, alternative inputs for Level 3 fair value measurements for each class of assets and liabilities (sometimes also referred to as sensitivity disclosures), the Board is seeking input from:

1. *Financial statement preparers about their operationality and costs*
2. *IFRS financial statement preparers about the approach they plan to use to comply with a similar disclosure requirement in IFRS 7*
3. *Financial statements users about their usefulness-more specifically, a discussion of how they would benefit from, and use, such disclosures.*

We agree that the Board should address this issue directly with financial statement preparers and users. In particular, as noted in the body of the letter, we encourage the Board to continue to seek input from preparers about whether they are already preparing this information for risk management purposes. We recognize that for preparers that do not currently provide this information or do not have it readily available, preparing the proposed disclosure requirements may prove challenging (e.g., entities may be required to upgrade their systems).

As also noted in the body of the letter, we believe that the Board should seek to determine from preparers whether sensitivity disclosures are operational for fair value measurements related to equity instruments (e.g., investments in private equity funds and venture capital funds). Valuation techniques commonly used in estimating the fair value of equity instruments (e.g., income approach, market approach) are often based on multiple techniques and a significant number of inputs, and we are therefore concerned that reporting entities may find it difficult to determine reasonably possible alternative inputs as a result of the numerous correlations between changes in significant inputs and the iterative changes they may cause. We recognize, however, that the sensitivity analysis may not be as complex to provide for financial instruments, such as certain common debt instruments, because significantly fewer inputs are used in estimating their fair value (e.g., interest rates, credit risk, prepayment). Thus, we encourage the Board to carefully weigh the benefits of requiring the proposed disclosures for equity instruments against the costs of preparing them.

If the Board decides to proceed with the sensitivity analysis requirement, we would suggest it provide further guidance (perhaps by way of an illustrative example) to clarify the concept of "reasonably possible alternative inputs." We believe that different entities would interpret this requirement in different ways — some basing what is "reasonably possible" on past trends, others on future forecasts, and still others on the extremes of history.

If the final standard requires entities to provide sensitivity disclosures, the Board should consider whether requirements to provide disclosures about the extent to which the significant inputs were sensitized are warranted.

Appendix A

Regarding the proposed ASU's requirement for reporting entities to consider the expected effects of correlation among changes in significant inputs if estimating the effect of more than one reasonably possible change, we note that if finalized as currently drafted, this guidance would differ from that in IFRS 7 (i.e., IFRS 7 does not require entities to consider the correlation among changes in significant inputs in determining reasonably possible alternative inputs). We encourage the Board to work closely with the IASB to resolve differences in this matter. In addition, we recommend that the Board clarify what is meant by "effect of more than one reasonably possible change" and whether the entity is required to consider the expected effects of correlation among changes in all significant inputs (i.e., Levels 1, 2 and 3) or only in unobservable significant inputs (Level 3).

Issue 2: With respect to the reconciliation (sometimes referred to as a roll forward) of fair values using significant unobservable inputs (Level 3), the amendments in the proposed Update would require separate disclosure of purchases, sales, issuances, and settlements during the reporting period. Is this proposed requirement operational? If not, why?

We encourage the Board to address the issue directly with financial statement preparers. In addition, as noted in Appendix B, we believe the Board should clarify in paragraph 820-10-50-3 the meaning of "presented on a net basis" with regard to the reconciliation disclosure required by paragraph 820-10-50-2(c) and (d) for derivative assets and liabilities.

Issue 3: Is the proposed effective date operational? In particular:

1. *Will entities be able to provide information about the effect of reasonably possible alternative inputs for Level 3 fair value measurements for interim reporting periods ending after March 15, 2010?*
2. *Are there any reasons why the Board should provide a different effective date for nonpublic entities?*

Implementation of the proposed disclosure requirements may prove challenging for certain reporting entities, including nonpublic entities (e.g., they may be required to update their systems). See our response to Issue 1.

APPENDIX B
Deloitte & Touche LLP
Additional Comments

The following are our additional comments on the proposed ASU.

Paragraph 820-10-50-2(bb)

- It is unclear whether the significance of the transfers are judged with respect to earnings **and** total assets or total liabilities or whether the staff's intent was that entities judge the significance with respect to **either** earnings **or** total assets or liabilities. The same comment applies to paragraphs 820-10-50-2(c)(3) and 820-10-50-2(f).

Paragraphs 820-10-50(bb) and 820-10-50-2(c)(3)

- We believe that the Board should clarify whether there are unacceptable methods for determining the amount of "transfers in and/or out of" Level 1, Level 2, and Level 3. We believe there are several acceptable methods for determining transfers between levels. For example, significant transfers could be presumed to have occurred (1) as of the date of the transfer if the event or change in circumstances that caused the transfer can be identified or (2) as of the beginning of the period for transfers in and as of the end of the period for transfers out. However, we do not believe that it would be appropriate for entities to determine the amount of transfers in by using the end-of-period fair value and the amount of transfers out by using the beginning-of-period fair value. Such an approach would result in no gain or loss being attributable to financial instruments transferred in and/or out of Level 1, Level 2, and Level 3 during the period and would thus diminish the purpose of this disclosure (i.e., effect of inputs on fair value measurements and their impact on earnings during the period). We also believe that the Board should clarify that an entity should disclose its policy for determining the amount of transfers in and/or out of all three levels of measurement in the notes to the financial statements and apply consistently the method it selects to all types of transfers.

Paragraph 820-10-50-2(d)

- Because the required disclosures under paragraph 820-10-50-2(d) have resulted in implementation issues and diversity in application, we recommend that the FASB clarify how companies should compute unrealized gains and losses included in profit or loss and settlements for contracts subject to periodic net settlements (e.g., swaps).

Paragraph 820-10-50-2(e)

- We recommend the following <u>underlined</u> additions:
  - For fair value measurements using significant other observable inputs (Level 2) and significant unobservable inputs (Level 3), the valuation techniques and inputs<u>, including quantitative information</u> used in determining the fair values of each class of assets or

liabilities. If there has been a change in the valuation technique (for example, changing from a market approach to an income approach), the reporting entity shall disclose that change and the reason for making it. Examples of relevant disclosures a reporting entity may present to comply with the requirements in this paragraph are provided in paragraph 820-10-55-22A.

Paragraph 820-10-50-2A

- It is unclear how the classification of the asset or liability in the fair value hierarchy would affect the level of disaggregation. We suggest that the FASB include an example in Case D to clarify this concept (e.g., the greater number of classes for assets or liabilities classified as Level 3 measurements).

Paragraph 820-10-50-3

- The FASB should clarify the meaning of "presented on a net basis" in the reconciliation disclosure required by paragraphs 820-10-50-2(c) and (d) for derivative assets and liabilities. For example, the final ASU should note whether this presentation would include any offset related to the right to receive (or obligation to return) cash collateral, as in the balance sheet presentation under ASC 815-10-45-4 through 45-7.

Paragraph 820-10-55-22A

- We recommend the following underlined addition to (b):
  - Quantitative information about the inputs and information about the sources of those inputs. For example for certain debt securities or derivatives, information relating to . . .
- We recommend that, as an example under (e), the Board include disclosures related to governance and controls over the valuation processes within an entity, similarly to what is provided in the discussion in the October 2008 Expert Advisory Panel Paper, "Measuring and Disclosing the Fair Value of Financial Instruments in Markets That Are No Longer Active."

Paragraph 820-10-55-61 (Case A)

- We recommend the following addition before paragraph 820-10-55-61:
  - Case A: Disclosure

  Similarly, such a heading should be added for Case B (before paragraph 820-10-55-62) and Case C (before paragraph 820-10-55-64).
- We recommend that the Board include in the Case A table the requirement for entities to provide the totals for levels of measurement by each class of asset and liability. Such disclosure would allow users of the financial statements to reconcile more easily the fair value measurement

disclosures for the various classes of assets and liabilities to the line items in the statement of financial position.

Paragraph 820-10-55-62 (Case B)

- In the disclosure in the table, it is unclear why there is no amount disclosed for unrealized gains or losses for available-for-sale debt securities.

Paragraph 820-10-55-64 (Case C)

- It is unclear whether, by including the “total gains and losses” disclosure in the example for nonrecurring measurements, the Board actually intended to require entities to provide the disclosure of the “total gains and losses” for the nonrecurring measurements.

Paragraph 820-10-55-65, Note (a) (Case D)

- It is unclear why Alt-A and prime RMB securities, for which the sensitivity disclosures were provided in Note (a), were not shown as a separate class (or classes) of assets in the disclosures presented in the table. We also recommend the Board clarify in the title of the table that the table relates to recurring fair value measurements. In addition, the footnote to the title should clarify that a similar disclosure table should be provided for nonrecurring measurements.

- We recommend deleting the words “if any” as shown below:

    - Using significant reasonably possible alternative inputs and the correlation impact of multiple inputs~~, if any~~, the fair value . . .

- We recommend clarifying the following (additions are underlined and deletions are ~~struck out~~):

    - Note: ~~A s~~Similar tables should be presented for Level 3 recurring and nonrecurring liabilities.

Paragraph 820-10-65-XX(c)

- We recommend the following underlined addition:

    - In periods after initial adoption, comparative disclosures of the pending content are required only for periods ending after the initial adoption.