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By E-mail

FAO: Technical Director
File Reference No. 1710-100
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Dear Sir / Madam,

Comments on the Exposure Draft Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements

The Dubai Financial Services Authority has taken this opportunity to provide commentary on the Exposure Draft Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. We consider this to be a comprehensive paper hence our comments which are set out in an attachment to this letter are rather limited.

We are happy to provide any further elaboration or clarifications on the issues raised and can be contacted on +971 4362 1549 or by e-mail on nlalani@dfsa.ae.

We look forward to participating in any further work in this area.

Yours sincerely

A handwritten signature in black ink that reads 'Christian Cameron'.

Christian Cameron
Manager
Policy and Legal Services





Comments on FASB Exposure Draft Fair Value Measurements and Disclosures (Topic 820)

October 5, 2009

DRAFT

The FASB exposure draft suggests improvements in disclosures related to fair value measurement. Similar disclosures are already in place by IFRS 7 and will increase convergence of IFRS and US GAAP.

Reference has been made to DFSA Discussion Paper 1 “Fair Value Accounting – Is it True and Fair” dated 8 Feb 2009 as we strongly feel that due attention is required to deal with issues arising from the fair value accounting in the current economic state.

The above mentioned discussion paper is available at DFSA website (www.dfsa.ae).

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 statement users about their usefulness – more specifically, a discussion of how they would benefit from, and use, such disclosures.*

The information necessary to break-down the fair value measurement disclosures into the three levels already exists and therefore the cost of meeting the new requirements is likely to be insignificant as it can be collected through existing reporting systems.

The proposed amendments on fair value disclosures will help users to understand better the uncertainties surrounding fair value measures used in the financial statements.

The proposed amendments appreciate that an entity should consider the current economic environment in which it operates when determining reasonably possible alternative inputs. The objective of this analysis should be to identify and assess the variability in significant unobservable inputs in a manner that acknowledges uncertainty and is realistic in its application. In certain circumstances, where the markets are dislocated or illiquid, considerations should be given to the option of moratorium from fair value for financial and non financial instruments until the markets return to normality (Discussion Paper 1 “Fair Value Accounting – Is it True and Fair” dated 8 Feb 2009).



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 this proposed Update would require separate disclosure of purchases, sales, issuances and settlements during the reporting period. Is this proposed requirement operational? If not, why?

Preparation of the reconciliation (sometimes referred to as a roll forward) from the opening balance to the closing balance of fair values using significant unobservable inputs (Level 3) and disclosure of specific information on the movements in the period could require preparers to monitor a large quantity of additional information, such as the purchases and sales of assets measured using Level 3 techniques within a specific book of business.

Operationality of the proposed amendments should be carefully weighed with respect to the efforts and costs involved (year one and ongoing) and benefits derived.

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 non-public entities?

DFSA is not in a position to provide comments as it is not a preparer of the financial statements.

