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

Dear Mr. Golden:

General Electric appreciates the opportunity to share its views on the Proposed Accounting Standards Update, Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements. While we remain strong proponents of increased transparency and disclosure for our investors and other users of our financial statements, we believe this proposal represents a narrow set of disclosures which would add confusion to the reader at significant costs uld be incurred to prepare them to the preparer. Accordingly, we are unable to support the proposal as drafted.

Our specific concerns with the proposal include the following:

Our investor relations group currently receives extremely few questions relating to our fair value disclosures. Moreover, when the information is aggregated by asset class, we do not understand how one can construct a useful sensitivity disclosure related to fair value if the underlying relates to a large number of individually insignificant financial instruments. While there may be certain types of securities (e.g., structured investments) where useful information may be provided based on an aggregate class of investments, disclosures about other categories will typically contain a diverse set of risks and varying assumptions about how those risks are likely to affect fair values. Accordingly, it will be difficult, if not impossible, to translate the data into a

useful disclosure. For example, we believe it will be difficult for users to understand and assess the assumptions that are made about credit risks across a broad spectrum of exposures, when each exposure must be modeled individually. That said, solving this issue through further disaggregation creates a different problem by increasing the volume of information disclosed about insignificant items. The argument that there is a financial reporting benefit, however uncertain it may be, must be weighed against the significant cost companies will incur in order to comply, as further discussed below.

 While we analyze fair value measures for certain types of financial instruments in managing our businesses, most of the classes of financial assets affected by this proposal are not managed on that basis, which makes it difficult to provide a robust business context for interpreting variations in the data being disclosed and therefore detracts further from the utility of this information.

We also do not capture the hierarchical classifications at the instrument level in our systems, as they were implemented prior to the fair value measurements standard. We therefore collect this information supplementally. As a result, the preparation and accumulation of data for the fair value measurement disclosures footnote currently requires an intensive data collection effort. Incremental sensitivity analysis at the instrument level, coupled with the related financial reporting analysis and data collection, is a significant exercise and would add additional cost, burden and complexity to an already challenging processs. The Board must also consider the time and effort necessary to develop related control procedures which are difficult to envision for certain of these disclosures.

At a minimum, we would suggest that the Board consider requiring disclosure only in circumstances where such fair value information is developed internally for use by management.

- For those instruments valued by third parties (e.g., non-binding broker quotes), we do not believe that it will be practicable to develop the sensitivity analysis independently of the provider. Most third party providers use customized, proprietary models for valuing investments, to which we are not privy. It is not clear whether these vendors are willing and able to provide such information and, if so, what it would cost and whether it could be completed in the quarterly reporting timelines we must adhere to.
- The proposal exacerbates the issues that we and other companies have with the segmentation of financial instruments into different levels when they are related. For example, the circumstance in which an embedded derivative is classified as Level 3 but the derivative that hedges it is classified as Level 1 or

Level 2. There is a reasonable likelihood that some investors may misinterpret the potential variability related to Level 3 instruments as falling through to the consolidated statements when, in fact, there is an amount in Level 1 or 2 that largely or more than offsets that variability.

We therefore urge the Board to reconsider the requirements related to sensitivity analysis and the additional level of disaggregation proposed. We do not believe that the complexities and costs associated with accumulating such information are justified by the benefit of this information in evaluating financial performance and expected future cash flows. We believe that it would help provide better insight into the issues discussed above if the Board were to perform field tests or obtain some sample disclosures that would be provided based on the proposed requirements.

If the Board decides, notwithstanding the concerns noted above, to proceed with the proposal, we have the following specific comments relating to its provisions:

- The proposed disclosures require that for Level 3 measurements, if a change
 in one of the unobservable inputs to a reasonably possible alternative input
 would significantly increase or decrease the fair value, the entity shall state
 that fact and disclose the effect of the change. We believe the Board should
 provide additional guidance on how to apply the notion of "reasonably
 possible" when there are many scenarios that could be deemed to be meet
 that threshold.
- In many cases, securities are included within Level 3 because a pricing vendor
 was required to use significant unobservable inputs or there is limited, or no,
 relevant market activity for a specific instrument or for other instruments with
 similar characteristics. Thus, for reasons noted previously, the Board may
 need to provide a practicability exception to certain disclosures for instances
 in which a company is unable to develop the information related to nonbinding broker quotes provided by third parties.
- In addition, we find the guidance in this proposal to be in conflict with similar requirements elsewhere in GAAP. Specifically paragraph 17(f)(2)(d) of SFAS 166, Accounting for Transfers of Financial Assets, requires a sensitivity analysis of the effect on the fair value of two or more adverse variations from the expected levels for each key assumption, and a description of the objectives, methodology, and limitations of the sensitivity analysis or stress test. This guidance is easier for a preparer to understand and apply, as it does not rely on what might be a reasonably possible alternative.
- The proposal requires specific disclosures relating to the minimum level of disaggregation and "gross" activity in Level 3 measurements and recommends judgment for further levels of disaggregation. Topic 820 was

intended to be a principles-based standard and such specific minimum requirements override the judgment of the reporting entity to disclose information they believe would be useful to the investor. It is often the case that there are not a significant number of securities classified within level 3 for each of the "major" categories of investment securities required to be disclosed and the reporting entity will find itself including all such categories with immaterial information in order to comply with the minimum The Board should consider whether a comprehensive requirements. disclosure related to an aggregate of many immaterial items inhibits the ability of investors to discern the important information from among a broader array of data elements. We have heard this concern expressed recently from a prominent representative of investment analysts. Accordingly, we believe that a reporting entity should be able to determine the appropriate level of disaggregation and level 3 activity based on the significance of the amounts that would be relevant to an investor.

For the reasons stated above, we urge the Board to consider maintaining the current framework for disclosures and allowing preparers to use judgment in determining the appropriate incremental disclosures that investors would find useful. Please feel free to contact me at (203) 373-2444 if you have any questions.

Sincerely,

Jamie S. Miller

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