The World Bank

September 1, 2010

Technical Director
File Reference No. 1830-100

FASB
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Dear Sir / Madam,

Exposure Draft: FAIR VALUE MEASUREMENTS AND DISCLOSURES (TOPIC 820)

The World Bank appreciates the opportunity to comment on the FASB’s exposure draft Fair Value Measurements and Disclosures. We support the FASB’s objective of improving the reporting for financial instruments. We also agree with the joint commitment by the FASB and the IASB to achieve international comparability of financial results.

We believe fair value is the best measure for financial instruments and have a decade of experience reporting the positions and results of our financial instruments at fair value in our Management Discussion and Analysis (“MD&A”).

While we support the majority of the proposals, our key comment on the exposure draft is that the proposed measurement uncertainty analysis disclosure is inappropriate. We believe the scope of the disclosure is inconsistent with the way financial instruments are managed, and if implemented in its current form, would provide non-meaningful as well as misleading information. In addition, the benefits to be derived from providing such disclosure would be outweighed by the costs involved. As an example, an "uncertainty" in a Level 3 financial instrument may be hedged through financial instruments in Levels 1 or 2. The current proposal will not capture the effects of this hedge and will require an entity to report misleading information. This is particularly true where risks are measured and managed by the entity at the portfolio level. Instead, we recommend that the FASB extends the requirements to provide portfolio level measures such as sensitivity analysis of key inputs. For financial institutions, sensitivity analysis of key inputs may include portfolio risk measures such as duration and gap analysis. Where entities may be exposed to other risks such as correlations, correlation risk at the portfolio level should be quantified and disclosed.

We appreciate the opportunity to provide you with our views. Please do not hesitate to contact us if you have questions or require clarification.

Yours sincerely,

Charles A. McDonough
Vice President & Controller
Responses to Selected Questions

Question 7: The Board has decided to require a reporting entity to disclose a measurement uncertainty analysis that takes into account the effect of correlation between unobservable inputs for recurring fair value measurements categorized within Level 3 of the fair value hierarchy unless another Topic specifies that such a disclosure is not required for a particular asset or liability (for example, the Board has decided in its project on the accounting for financial instruments that a measurement uncertainty analysis disclosure would not be required for investments in unquoted equity instruments). Do you think that proposal is appropriate? If not, why not?

As previously discussed, we do not believe that this proposal is appropriate.

Question 8: Are there alternative disclosures to the proposed measurement uncertainty analysis that you believe might provide users of financial statements with information about the measurement uncertainty inherent in fair value measurements categorized within Level 3 of the fair value hierarchy that the Board should consider instead? If so, please provide a description of those disclosures and the reasons why you think that information would be more useful and more cost-beneficial.

As previously discussed, we believe that the sensitivity analysis should not be limited to Level 3 inputs, but be applied in the manner in which the entity manages its financial instruments, e.g. portfolio basis or stand-alone basis, as appropriate. For financial institutions, sensitivity analysis of key inputs at the portfolio level would be more relevant and cost-beneficial. This may include portfolio risk measures such as duration and gap analyses.

Question 11: The amendments in this proposed Update would apply to public and nonpublic entities (that is, private companies and not-for-profit organizations). Should any of the proposed amendments be different for nonpublic entities? If so, please identify those proposed amendments and describe how and why you think they should be different.

We generally concur with the view that any entity which holds the same financial instruments should be subject to the same requirements.

Question 12: How much time do you think constituents would need to prepare for and implement the amendments in this proposed Update?

While we believe that most of the proposals would not require more than a year or so to implement, from our perspective, the measurement uncertainty analysis disclosures would take much longer and will result in inordinately high cost and operational complexity to create the infrastructure capable of such disclosure. Therefore we suggest that these proposals be modified along the lines discussed above to meet the cost/benefit test. If not modified, we suggest that the measurement uncertainty analysis disclosures be dropped as the cost/benefit test will not be met.