May 15, 2013

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
Electronic Address: director@fasb.org


The Williams Companies, Inc. ("Williams") appreciates the opportunity to provide our comments to the Financial Accounting Standards Board ("FASB") on the Proposed Accounting Standards Update regarding Recognition and Measurement of Financial Assets and Financial Liabilities. Williams is a public company which, through its subsidiaries, gathers, processes and transports natural gas.

Overall, we have some comments about the recognition, classification and measurement aspects of the proposal and we believe certain presentation and disclosure requirements are possibly of lesser value for entities that are not in the financial services industry. It appears that certain presentation and disclosure requirements are in large part attributable to user information needs for entities that are in the financial services industry and not to significant concerns by users about entities who do not provide these types of services. We believe distinguishing between entities in the financial services industry and those that are not is an aspect the FASB should consider as they continue their discussion on this topic.

We don't believe the classification and measurement of financial assets should be based on the contractual cash flow characteristics criterion, but rather financial assets with embedded derivatives should continue to be bifurcated whereby the embedded derivative is recorded separately following existing guidance and the host contract recorded pursuant to the business model guidance in the proposal. As proposed, an entity would record the entire financial asset at fair value with all changes in fair value recognized in net income even if only a portion of the instrument contains an embedded feature that is economically different from the host contract. Current practice regarding embedded derivatives is generally well established and achieves appropriate recognition of the different elements. Also, we are concerned that the proposed
concept of “solely payments of principal and interest” narrowly defines what is principal and interest, which may inappropriately result in features that do not have an overall significant impact on an instrument’s fair value driving a recording of that instrument at fair value through net income.

We believe recording amounts in the balance sheet at fair value may not provide useful information for loans that are not held for trading. Therefore, loans not held for trading should be considered for recording at amortized cost, even if the business model under which they are held is to both collect cash flows and sell assets. For example, the hold to collect business model should consider effective risk management practices and allow for sales in response to deteriorations in credit, reducing concentrations of credit risk and changing market conditions. Footnote disclosure of fair value is sufficient to present changes in fair value for loans not held for trading purposes.

We believe the criteria for determining if an equity method investment is held for sale appears to be overly broad and could result in certain investments, such as limited life partnerships or similar entities, being measured at fair value through net income even if the investor has no intention to sell the investment. The criteria in ASC 360-10, “Property, Plant and Equipment—Overall,” for determining if a long-lived asset should be classified as held for sale would be more appropriate as it is narrower in scope and generally understood in practice.

We agree with the proposal whereby most financial liabilities would continue to be measured initially at their transaction price and subsequently at amortized cost. We also agree with retaining the current guidance for hybrid financial liabilities regarding bifurcating embedded derivatives.

Separately presenting financial assets and liabilities on the balance sheet by classification and measurement category for entities not in the financial services industry does not present enhanced information to investors compared to footnote disclosure. In fact, it may overly burden the balance sheet by presenting an excessive number of categories and create a distraction to more important balance sheet categories for entities not engaged in financial services. Similarly, presenting parenthetically on the balance sheet the fair value of financial assets and liabilities measured at amortized cost could just as effectively be presented in footnote disclosure. The same can be said for the statement of comprehensive income and the separate presentation of information by measurement category within each line item. Overall, we believe footnote disclosure should be used to present additional information rather than embed this type of information in the basic financial statements.

We agree with the proposed transition provisions of a cumulative-effect adjustment to beginning retained earnings in the period of adoption.

In establishing an effective date, we believe the FASB should consider that the proposal will result in significant changes in practice and will require a significant effort to implement. Therefore, if a final ASU is issued in 2013, we believe an appropriate effective date would be no earlier than for fiscal periods beginning on or after January 1, 2015.
We appreciate the opportunity to comment on this matter and voice our concerns. We would be happy to provide any additional information you may require or discuss our comments further.

Sincerely,

Ted Timmermans
Controller and Chief Accounting Officer
The Williams Companies, Inc.