

March 2, 2009

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



LETTER OF COMMENT NO. 29

File Reference: Proposed FSP FAS 107-b and APB 28-a

Dear Mr. Golden:

Deloitte & Touche LLP is pleased to comment on proposed FASB Staff Position No. FAS 107-b and APB 28-a, "Interim Disclosures About Fair Value of Financial Instruments" (the "proposed FSP").

While we generally support the Board's efforts to provide more timely, decision-useful information to financial statement users, we do not support the issuance of the proposed FSP as currently drafted. As discussed in greater detail below, we have significant concerns about (1) the costs of implementing the proposed FSP and (2) the timing of its proposed effective date. We encourage the Board, before issuing a final standard, to seek input from financial statement preparers regarding the time they will need, and the work they will need to perform, to comply with the proposed FSP.

Costs and Benefits

The proposed FSP expands the current disclosure requirements of Statement 107¹ to require disclosures about fair value of financial instruments in interim as well as annual financial statements. However, we believe the costs of gathering that information and preparing it in a form that complies with the disclosure requirements of the proposed FSP will be significant. Furthermore, we are concerned about whether all preparers will be able to appropriately implement the proposed requirements in the shortened filing periods for interim financial statements. More specifically, the difficulties of maintaining both carrying amount and fair value measurement systems for most financial instruments could be exacerbated by the following:

1. Entities issuing interim financial statements would have a shorter time frame to gather and prepare the information required by the proposed FSP than they would for annual-period financial statements. For example, an SEC registrant, depending on its filing status (accelerated or nonaccelerated), would need to file its quarterly financial statements 40 or 45 days after the end of the quarter, as opposed to the 60- or 90-day requirement for annual financial statements.
2. The scope of the proposed FSP has been greatly expanded from the select few financial assets proposed in the previous Exposure Draft.² For example, the most difficult and time-consuming

¹ FASB Statement No. 107, *Disclosures About Fair Value of Financial Instruments*.

² Proposed FASB Staff Position No. FAS 107-a, "Disclosures About Certain Financial Assets: An Amendment of FASB Statement No. 107."

financial instruments to value, such as private equity securities, are subject to the proposed FSP's interim requirements.

3. Because of the illiquid nature of financial instruments in the current economic environment, entities may need more time, and may need to expend more effort, to gather the necessary information to comply with the proposed FSP's disclosure requirements.

Financial Liabilities

We also are concerned about the expanded scope of the proposed FSP compared with that of the previous Exposure Draft. Proposed FSP FAS 107-a's scope was limited to disclosures of certain financial assets, whereas the scope of the proposed FSP encompasses all financial assets and financial liabilities within the scope of Statement 107. While we acknowledge that Statement 107 requires annual disclosure of the fair value of financial liabilities, we do not believe that the Board should require entities to provide additional disclosures more frequently until it has completed its project on measuring the fair value of liabilities (i.e., proposed FSP FAS 157-c³). Further, in light of the economic environment, we understand that users have requested additional disclosures about the fair value of certain financial assets but not necessarily about financial liabilities. Accordingly, we believe the Board should exclude financial liabilities from the scope of this project.

Effective Date

We are concerned that because of the timing of a potential final FSP and the work entities will need to perform to comply with it, many entities will find it difficult to fully and accurately implement the proposed FSP's requirements by the proposed effective date. In addition, we are concerned that entities will not have enough time to develop sufficient internal controls over the proposed disclosures and that auditors will not be able to adequately assess the newly developed internal controls. Furthermore, for year-end and first-quarter reporting seasons, financial statement preparers have already been tasked with compiling much additional information to comply with newly effective disclosure requirements, such as those in FSP FAS 140-4 and FIN 46(R)-8⁴ and FSP FAS 133-1 and FIN 45-4.⁵ Lastly, preparers have been adjusting their systems to abide by new standards effective in fiscal periods beginning January 1, 2009, such as Statements 160⁶ and 161.⁷ Consequently, if the FASB decides to issue the proposed FSP as a final standard, we believe that at a minimum the effective date should be deferred.

This letter includes two appendixes. In Appendix A, we respond to the questions posed by the FASB in the proposed FSP's Notice for Recipients. Appendix B contains our other comments and editorial suggestions for the proposed FSP.

³ Proposed FASB Staff Position No. FAS 157-c, "Measuring Liabilities Under FASB Statement No. 157."

⁴ FASB Staff Position No. FAS 140-4 and FIN 46(R)-8, "Disclosures by Public Entities (Enterprises) About Transfers of Financial Assets and Interests in Variable Interest Entities."

⁵ FASB Staff Position No. FAS 133-1 and FIN 45-4, "Disclosures About Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161."

⁶ FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements* — an amendment of ARB No. 51.

⁷ FASB Statement No. 161, *Disclosures About Derivative Instruments and Hedging Activities* — an amendment of FASB Statement No. 133.

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Deloitte & Touche LLP appreciates the opportunity to comment on the proposed FSP. If you have any questions concerning our comments, please contact John Sarno at (203) 761-3433.

Yours truly,

Deloitte & Touche LLP

cc: Robert Uhl

APPENDIX A
Deloitte & Touche LLP
Responses to Notice for Recipients

Issue 1: Do you agree that the proposed disclosures should apply to all financial instruments currently included within the scope of Statement 107? If not, which financial instruments do you propose should be included within the scope of this proposed FSP?

We do not believe the proposed disclosures should apply to all financial instruments currently within the scope of Statement 107. As previously discussed, we do not believe the Board should require more frequent disclosure of financial liabilities until it has completed its project on measuring the fair value of liabilities (i.e., proposed FSP FAS 157-c). Accordingly, we believe the Board should exclude financial liabilities from the scope of this project. In addition, we are concerned about including all financial assets within the scope of the proposed FSP given the difficulties in valuing assets such as private equity securities within the short time frame for interim reports. The issues leading to the FASB project stemmed from debt instruments, as indicated in the previous proposed FSP FAS 107-a, and did not include all financial assets. It appears that the Board included all financial assets within the scope of the proposed FSP without considering all the implications.

Issue 2: Do you agree that the proposed disclosures should be applicable to all entities covered by Statement 107? If not, which entities do you propose should be exempt from the proposed additional interim reporting requirements?

Given the Board's intent — to provide for timely disclosures about fair value of financial instruments on an interim basis — we could not clearly distinguish between which entities should, and which should not, be exempt from the proposed FSP. That is, we could not see an argument for excluding certain entities because of their size, industry, or filing status (i.e., public or private). Accordingly, we believe that all entities that are within the scope of Statement 107 should be within the scope of the proposed FSP.

Issue 3: Are the proposed requirements to disclose fair value information for all interim and annual reporting periods ending after March 15, 2009, operational? If not, what would be an appropriate effective date? Why?

As previously discussed, we do not believe the proposed requirements to disclose fair value information for interim or annual reporting periods ending after March 15, 2009, are operational.

As previously noted, we are concerned that because of the timing of a potential final FSP and the work entities will need to perform to comply with it, many entities will find it difficult to fully and accurately implement the proposed FSP's requirements. In addition, we are concerned that entities will not have enough time to develop sufficient internal controls over the preparation of the proposed disclosures and that auditors will not be able to adequately assess the newly developed internal controls. Lastly, for this year-end and first-quarter reporting season, preparers of financial statements have already been tasked with compiling much additional information to comply with newly effective disclosure requirements.

Consequently, if the FASB decides to issue the proposed FSP as a final standard, we believe that at a minimum the effective date should be deferred until interim and annual financial statements for periods ending after December 15, 2009. We also suggest the Board seek input from preparers of financial

statements regarding the amount of time and the level of effort that will be required to comply with the proposed FSP before issuing a final standard.

Issue 4: Are the proposed requirements to disclose the method(s) and significant assumptions used to estimate the fair value for all financial instruments for all interim periods subsequent to initial adoption operational? Why or why not?

We agree that the proposed requirements to disclose the method(s) and significant assumptions used to estimate the fair value on an interim basis are operational, since entities already gather this information when determining the fair value information of financial assets and liabilities. However, we believe that it would prove more meaningful to financial statement users for the Board to limit the frequency of the disclosures to annual periods and only require the disclosures as of interim periods if there has been a change in the method(s) and the significant assumptions used. We believe this approach is more in line with the requirements in paragraph 32(e) and 33(d) of Statement 157,⁸ which discusses the disclosure requirements for recurring and nonrecurring assets and liabilities measured at fair value:

⁸ FASB Statement No. 157, *Fair Value Measurements*.

APPENDIX B
Deloitte & Touche LLP
Other Comments and Editorial Suggestions

Other comments on, and suggested editorial changes to, the proposed FSP are highlighted below (added text is underlined and deleted text is ~~struck out~~).

Annual Disclosures

In addition to disclosures about the fair value of financial instruments, Statement 107 includes disclosures about the concentrations of credit risk of all financial instruments and encourages disclosures about market risks of financial instruments. Because we understand that the Board's intent is to include interim disclosures only about fair value, and not about (1) concentrations of credit risk and (2) market risks, we suggest that the Board revise paragraphs 15A and 15C of Statement 107 to clarify its intent.

15A. Except as indicated in paragraph 15B, an entity shall disclose, on an annual basis, all significant concentrations of credit risk arising from all financial instruments

15C. An entity is encouraged, but not required, to disclose, on an annual basis, quantitative information about the market risks of financial instruments that is consistent with the way it manages or adjusts those risks.

Comparative Disclosures

Because entities are required to report their balance sheet information as of the most recent interim balance sheet date and compare it with that for the most recent annual balance sheet date, we believe that the proposed FSP would require comparative disclosures for all periods presented. That is, entities would be required to disclose (1) fair value information as of the most recent interim balance sheet date pursuant to the proposed FSP and (2) fair value information as of the most recent annual balance sheet date pursuant to Statement 107. Accordingly, we suggest the following revisions to paragraph 10 of the proposed FSP.

~~This FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, t~~ This FSP requires comparative disclosures about fair value of financial instruments at only for periods ending subsequent to initial adoption.

Inconsistency With Statement 157

Because questions have arisen about whether paragraph 31 of Statement 107 is inconsistent with the fair value measurement notion of Statement 157, we recommend that the Board revise paragraph 31 to ensure that it is consistent with this notion or delete certain portions of the example to resolve any confusion. We also believe that the Board should provide a transition period for this amendment.