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September 7, 2010

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

Re: File Reference No. 1830-100: Proposed Accounting Standards Update, *Fair Value Measurements and Disclosures (Topic 820): Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*

The Employee Benefits Plan Committee and the Accounting and Auditing Committee (the "Committees") of the Pennsylvania Institute of CPAs ("PICPA") appreciate the opportunity to comment on the Proposed Accounting Standards Update on fair value measurements. The Committees' specific comments follow:

1. Highest and best use and valuation premise — The proposed amendment to clarify that the concepts of "highest and best use" and "valuation premise" in fair value measurement do not apply to financial assets is inconsistent with the statement in the section Summary and Questions for Respondents, regarding the exception to fair value measurement principles when a reporting entity holds a group of financial assets and financial liabilities with offsetting positions. Specifically, the Board notes the following:

   > "The Board believes that the proposed amendments would not change how financial assets and financial liabilities that are managed on the basis of a reporting entity's net risk exposure are measured in practice. However, the proposed amendments might affect current practice for reporting entities that apply the **in-use valuation premise** more broadly. For example, a reporting entity that uses the **in-use valuation premise** to measure the fair value of financial assets when the reporting entity does not have offsetting positions in a particular market risk (or risks) or counterparty credit risk might arrive at a different fair value measurement conclusion when applying the proposed amendments." **[bold added]**

   We recommend that the Board reconsider restricting the valuation premise to nonfinancial assets; reconsider the requirements related to the valuation of financial assets and financial liabilities considered to be managed on a "net exposure" basis, and the related disclosures; and clarify the underlying concepts related to any related exception to fair value measurement principles.

2. Exception to valuing fair value measurement principles – Based on the above-noted comments from the Board on applying the in-use valuation premise broadly to a group of

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financial assets, it is not clear what "substantially the same" means as used in Proposed ASU **820-10-35-18K** as repeated below. We believe that application of this provision could result in inconsistent treatment in practice and request that the Board clarify the proposed guidance.

> "When using the exception in paragraph 820-10-35-18I to measure the fair value of a group of financial assets and financial liabilities managed on the basis of the reporting entity's net exposure to a particular market risk (or risks), the reporting entity shall apply the price within the bid-ask spread that is most representative of fair value in the circumstances to the reporting entity's net exposure to those market risks. When that exception is applied to measure the fair value of a group of financial assets and financial liabilities, the market risks that are being offset shall be substantially the same."

3. Sensitivity analysis – We disagree with the proposed requirement to provide a measurement uncertainty analysis for fair value measurements categorized within Level 3 of the fair value hierarchy as outlined in Proposed ASU at 820-10-50-2 f. We believe that the proposal ignores the practice reality that level three fair value estimates are not only highly subjective but in many cases they require numerous inputs. Requiring financial statement preparers to quantify the impact of changing each of these highly subjective inputs to other amounts that "could have reasonably been used in the circumstances" that could result in a "significantly higher or lower fair value measurement" and to disclose an explanation of each methodology could result in disclosing many iterations of the fair value analysis all of which were determined not to be management's best estimate. These additional disclosures are unnecessarily burdensome to prepare, would not provide meaningful information to financial statement users, and could be potentially misleading. In addition, as the FASB seeks to expand the financial statement elements subject to fair value measurement this requirement would become increasingly burdensome. We believe that the qualitative disclosures of the key inputs, their variability and how they impact the fair value measurement are adequate.

   We recommend that the Board reconsider this proposed requirement and not require this additional disclosure.

We appreciate your consideration of our comments. We are available to discuss any of these comments with you at your convenience.

Sincerely,

Craig Winters

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