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September 7, 2010

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

By e-mail: director@fasb.org

Re: Exposure Draft, *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

(File Reference No. 1830-100)

Dear Mr. Golden:

The New York State Society of Certified Public Accountants, representing more than 27,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Mark Mycio, Chair of the Financial Accounting Standards Committee at (212) 838-5100, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Margaret Ann Wood
NYSSCPA NYSSCPA

Margaret A. Wood
President

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NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

EXPOSURE DRAFT, *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

(FILE REFERENCE NO. 1830-100)

September 7, 2010

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Financial Accounting Standards Committee

Comments on

Exposure Draft, *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

(File Reference No. 1830-100)

We have the following responses to the questions for respondents:

Question 1: The Exposure Draft represents the Board's commitment toward developing common fair value measurement guidance with the IASB. Do you think the proposed amendments:

a. Would improve the understandability of the fair value measurement guidance in U.S. GAAP? If not, why not?
b. Would result in any unintended consequences on the application of the proposed amendments? If so, please describe those consequences?

Response: The additional guidance presented for measuring fair value would improve the understandability of how fair value is measured. Currently, companies could be using different approaches in measuring fair value, particularly with respect to the use of blockage factors for other than Level 1 assets.

We are not aware of any unintended consequences on the application of the proposed amendments.

Question 2: The Board has decided to specify that the concepts of highest and best use and valuation premise are only to be applied when measuring the fair value of nonfinancial assets. Are there situations in which those assets could be applied to financial assets or to liabilities? If so, please describe those situations.

Response: The guidance for highest and best use of nonfinancial assets is inconsistent with the economic substance in that it gives precedence to perceived general market considerations over the expected use by the reporting entity. The proposed guidance subordinates the expected use by the reporting entity, including the importance of legal restrictions, to a theoretical "highest and best" use for valuation purposes. Topic 820-10-55-54/55 (Example 6, Case B) illustrates this inconsistency. The case first indicates a donor contributed land to be used as a playground in perpetuity. Under current generally accepted accounting principles, the association receiving the land must measure it at fair value. Later the case says the association may sell the land, which contradicts the earlier statement that it must use the land as a playground in perpetuity. The case goes on to assert the association should use a fair value based on an alternative use which is not available by the association. The guidance should measure the nonfinancial asset based on its own use and reflect any legal limitations. Highest and best use should not be used for financial assets.

Question 3: Do you agree with the proposed guidance for measurement of the fair value of an instrument classified in shareholders' equity? Why or why not?

Response: We agree with this guidance for public companies as we expect there will be convergence with IFRS and because it is consistent with the concept that the fair value of some liabilities is the same as the fair value of the instrument held by a counterparty. Measurement issues might arise with nonpublic companies in which the value carried by the holder might not be known due to the lack of a market.

Question 4: The Board has decided to permit an exception to fair value measurement requirements for measuring the fair value of a group of financial assets and liabilities that are managed on the basis of the reporting entity's net exposure to a particular market risk (or risks) (that is, interest rate risk, currency risk, or other price risk) or to the credit risk of a particular counterparty.

a. Do you think that the proposal is appropriate? If not, why not?
b. Do you believe that the application of the proposed guidance would change the fair value measurements of financial assets and financial liabilities that are managed on the basis of the reporting entity's net exposure to those risks? If so, please describe how the proposed guidance would affect current practice?

Response: We think the proposal is appropriate. If an institution holds positions as a group and values them on a net basis, then it should be able to apply an appropriate market valuation to these financial assets or liabilities. Safeguards with respect to disclosures and consistency must be met prior to this exception being applied. We believe that applying the proposed guidance will more closely reflect current practice with respect to valuing financial assets and liabilities that are managed on the basis of the reporting entity's net exposure to those risks.

Question 5: The Board has decided to clarify the meaning of a blockage factor and to prohibit the use of a blockage factor when fair value is measured using a quoted price for an asset or a liability (or similar assets or liabilities). Do you think the proposal is appropriate? If not, why not?

Response: The clarification of a blockage factor is appropriate, and will result in consistent valuations of large groups of assets regardless of the level within the fair value hierarchy. However, the FASB should provide additional guidance on the circumstances in which an entity can apply a blockage factor. The guidance of when one cannot apply a blockage factor (Topic 820-10-35-36C, page 187), as opposed to recognition of a control premium or discount (Topic 820-10-35-36B, page 186) needs clarification. Paragraph BC 43 implies that expectation of a sale is insufficient.

Question 6: The Board has decided to specify that other premiums and discounts (for example, a control premium or a noncontributing interest discount) should be taken into account in fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy when market participants would take into account those premiums or discounts when pricing an asset or liability consistent with the unit of account for that asset or liability.

a. Do you think that proposal is appropriate? If not, why not?
b. When the unit of account for a particular asset or liability is not clearly specified in another Topic, how would you apply that proposed guidance in practice? Please describe the circumstances (that is, the asset or liability and the relevant Topic) for which the unit of account is not clear.

Response: This proposal is appropriate because, presumably, market values by different firms would be more closely aligned. However, we are concerned about consistency due to the fact that two firms could make different assumptions about what market participants would do. We do not have a response for part b.

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?

Response: We agree with the concept of an uncertainty analysis, but are concerned about implementation issues that could arise given the complexity of the issue.

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.

Response: We believe that mere classification of the inputs as Level 3 should be sufficient to alert a user that the entity is applying uncertain, and perhaps unreliable, information.

Question 9: The Board has decided to require limited retrospective transition. Do you think that proposal is appropriate? If not, why not?

Response: Limiting retrospective transition is appropriate due to the difficulty of obtaining the appropriate prior information as presented in paragraph BC 73.

Question 10: There is no link to the transition guidance for the proposed amendments that the Board believes would not change practice. Are there any proposed amendments that are not linked to the transition guidance that you think should be linked? If so, please identify those proposed amendments and why you think they should be linked to the transition guidance.

Response: We are not aware of any amendments.

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.

Response: We do not think there should be any exceptions.

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

Response: We believe that there should be a transition period of at least one year from the date of final approval because institutions might have to develop different systems to collect data.