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Via email to director@fasb.org

Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
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Re: Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement
(File Reference No. 2015-350)

Dear Ms. Cospers:

We are pleased to provide comments to the Board's proposal to improve the effectiveness of disclosure requirements for fair value measurements. We support the Board's objective to enhance the relevance of information provided in the footnotes for users.

We agree with the proposal to remove the disclosure requirements that are no longer deemed useful. We also generally agree with the proposed modifications and additions to the disclosure requirements, as well as the relief proposed for private companies. However, we recommend performing additional outreach in certain industries, particularly for investment company constituents and not-for-profit stakeholders before issuing a final standard. We also believe certain clarifications will be necessary in the final amendments, as elaborated in the Appendix to this letter.

For disclosure requirements the Board proposes to rescind, we recommend allowing early adoption effective upon issuance of the final ASU. This should result in cost-savings for preparers. We also recommend allowing at least one year to adopt the new disclosure requirements.

In addition, we refer you to our letter dated December 5, 2015, which includes our comments to the Board's proposal related to assessing whether disclosures are material.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Adam Brown at (214) 665-0673 or Gautam Goswami at (312) 616-4631.

Very truly yours,

BDO USA, LLP

Appendix

Question 1: Would the proposed amendments result in more effective, decision-useful information about fair value measurements? If not, please explain why. Would the proposed amendments result in the elimination of decision-useful information about fair value measurements? If yes, please explain why.

We generally agree that the proposed amendments result in more effective, decision-useful information about fair value measurements. However, we have several suggestions for the Board's consideration.

Considering the specialized nature of entities and transactions within the scope of ASC 946, *Financial Services - Investment Companies*, we believe that further outreach may be required to determine whether a Level 3 rollforward and disclosure of the policy for timing of transfers between levels are considered useful information by key stakeholders of those entities. Changes in unrealized gains or losses are an important measure in evaluating investment performance for investment companies where investments comprise the substantial majority of their balance sheet. The Level 3 rollforward may provide useful information in performing that evaluation. In addition, information on timing of when transfers are deemed to have occurred may provide context to the amount of "Level 3 unrealized gains or losses" reported for the period. For instance, the changes in unrealized gains or losses related to assets transferred into Level 3 during the period will not be reflected in the Level 3 rollforward for companies that use end of reporting period as their timing policy.

Question 2: Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?

Since the proposed disclosure requirements call for information used by entities to determine the fair value measurements, they would presumably be available to preparers and in a form that is auditable. Therefore, we don't anticipate practical challenges to its application, but note that process changes may be required to summarize information for reporting purposes, primarily in the year of adoption. As noted in our response to Question 3 below, we do not anticipate that would impose significant incremental costs. However, we ask that the Board clarify the following:

The amendments require entities, other than private companies, to disclose the changes in unrealized gains and losses for the period included in OCI and earnings for recurring Level 1, 2 and 3 fair value measurements held at the end of the reporting period, by level of fair value hierarchy. For assets/liabilities held at the end of the reporting period that were transferred between levels during the period, the proposal is not clear whether the total change in unrealized gains/losses should be disclosed under the level applicable to the end of the reporting period or if it should be disaggregated and presented under different levels. In other words, should the disclosure distinguish unrealized activity for each level pre- and post-transfer? The same issue exists with respect to the interaction of interim and annual periods.

Further, as indicated in our response to Question 1 above, we suggest that specific outreach be carried out with investment company stakeholders of private entities within the scope of ASC 946 to determine whether the proposed amendments would provide useful information even if other private companies are exempt.

In addition, for certain investments measured at net asset value, the proposal requires an entity to disclose the timing of liquidation and lapse of redemption restrictions only when the investee has communicated that information to the entity or announced the timing publicly. We suggest that the Board clarify whether the amendment is intended to be interpreted literally or if the reporting entity should make a reasonable attempt to contact the investee in this regard.

Question 3: Would any of the proposed disclosures impose significant incremental costs? If so, please describe the nature and extent of the additional costs.

We do not think that any of the proposed disclosures would impose significant incremental costs.

Question 4A: The proposed amendments would apply to all entities, except for certain requirements in paragraph 820-10-50-2(bbb) through (d), for which private companies would be exempt. Do you agree with the exemption for private companies? If not, please describe why and which disclosures should be required for private companies.

We generally agree with the exemption provided for private companies; however, we recommend that specific outreach be carried out with stakeholders of entities within the scope of ASC 946, as discussed above.

Question 4B: Should entities other than public business entities (for example, employee benefit plans and not-for-profit organizations) also be exempt from the proposed amendments mentioned in Question 4A? If yes, please describe why and which disclosures they should be exempt from.

We note that the proposal does not provide commentary on the outreach done with stakeholders of employee benefit plans and not-for-profits. However, the primary users of financial statements of employee benefit plans (such as the plan committee, regulators, trustees and plan participants) and not-for-profit organizations (such as the board of directors, creditors, large donors, and regulators) generally have access to management and investment committees of these entities. As such, the information needed for investment decisions is readily accessible to them (including the information private companies are not required to disclose under the proposed amendments). Also, financial information for employee benefit plan investments fund option is widely available, often timelier and with more frequency than the issuance of plan financial statements. Therefore, we support exempting employee benefit plans and not-for-profit organizations, similar to private companies.

However, through additional outreach, the Board may want to consider the impact of the proposal on certain not-for-profit entities that may be required to follow public company reporting requirements, such as conduit bond obligors.

Question 5: The proposed amendments to paragraph 820-10-50-2(bbb) require that a reporting entity disclose the weighted average of significant unobservable inputs used in Level 3 fair value measurements. Are there classes of financial instruments for which this disclosure is inoperable or does not provide meaningful information? If yes, please describe those classes of financial instruments and explain why.

We believe the weighted average information is readily-available to the preparers of financial statements because it is derived from the same information used to determine the fair value measurements. Therefore, we don't expect operational challenges for this requirement. In

practice, some companies with Level 3 fair value measurements (e.g. financial institutions) already disclose this information. We would be happy to provide examples at the FASB staff's request.

Question 6: The proposed amendments to paragraph 820-10-50-2(bbb) require that a reporting entity disclose the time period used to develop significant unobservable inputs. What would be the costs associated with including this disclosure? Would this disclosure provide more effective, decision-useful information?

We do not foresee incremental costs to disclosing the time period used in Level 3 fair value measurements. We expect this information is available to preparers and considered by management in determining the unobservable inputs used to estimate the fair value measurements. However, users are better positioned to indicate whether this provides meaningful information.

Question 7: Are there any other disclosures that should be required by Topic 820 on the basis of the proposed Concepts Statement or for other reasons? Please explain why.

No. We note Topic 820 currently contains a broad principle with respect to disclosure objectives.

Question 8: Are there any other disclosure requirements retained following the review of Topic 820 that should be removed on the basis of the proposed Concepts Statement or for other reasons? Please explain why.

To see how the Board applied the decision questions from the proposed Concepts Statement to Topic 820, see Decision Questions Considered in Establishing Disclosure Requirements.

We note that ASU 2016-01¹ supersedes the requirement in paragraph 825-10-50-10(b) to disclose the method(s) and significant assumptions used to estimate the fair values of financial instruments. However, ASC 820-10-50-2E still requires, "For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, a reporting entity shall disclose the information required by paragraph 820-10-50-2(b), (bbb)(1), and (h)". Since 820-10-50-2(bbb)(1) requires that for fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement be disclosed, it appears to be contrary to the relief provided by ASU 2016-01. Therefore, we suggest ASC 820-10-50-2E be amended to be in conformity with ASU 2016-01.

Question 9: How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by nonpublic business entities be different from the amount of time needed by public business entities? Should early adoption be permitted? If yes to either question, please explain why.

For disclosure requirements the Board proposes to rescind, we recommend allowing early adoption effective upon issuance of the final ASU. This should result in cost-savings for preparers. We also recommend allowing at least one year to adopt the new disclosure requirements.

¹ *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities*