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26 February 2009

Mr. Robert Herz
Chair, Financial Accounting Standards Board
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06865-5116

File Reference: Proposed FSP FAS 107-b and APB 28-a *Interim Disclosures about Fair Value of Financial Instruments*

Dear Mr. Herz,

The CFA Institute Centre for Financial Market Integrity (CFA Institute Centre),[1] in consultation with its Corporate Disclosure Policy Council (CDPC)[2], appreciates the opportunity to comment on proposed FASB Staff Position 107-b and APB 28-a *Interim Disclosures about Fair Value of Financial Instruments.*

CFA Institute represents the views of its investment professional members, including portfolio managers, investment analysts, and advisors, worldwide. Central tenets of the CFA Institute Centre mission are to promote fair and transparent global capital markets, and to advocate for investor protections. An integral part of our efforts toward meeting those goals is ensuring that the quality of corporate financial reporting and disclosures provided to investors and other end users is of high quality. The CFA Institute Centre also develops, promulgates, and maintains guidelines encouraging the highest ethical standards for the global investment community through standards such as the *CFA Institute Code of Ethics* and *Standards of Professional Conduct.*

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[1] The CFA Institute Centre for Financial Market Integrity is part of CFA Institute. With offices in Charlottesville, VA, New York, Hong Kong, and London, CFA Institute is a global, not-for-profit professional association of 100,000 investment analysts, portfolio managers, investment advisors, and other investment professionals in 133 countries, of whom 86,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 136 member societies in 57 countries and territories.

[2] The objective of the CDPC is to foster the integrity of financial markets through its efforts to address issues affecting the quality of financial reporting and disclosure worldwide. The CDPC is comprised of investment professionals with extensive expertise and experience in the global capital markets, some of whom are also CFA Institute member volunteers. In this capacity, the CDPC provides the practitioners' perspective in the promotion of high-quality financial reporting and disclosures that meet the needs of investors.

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Executive Summary

Proposal Summary

- This FASB Staff Position (FSP) will require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements.

- Fair value information disclosed in the notes shall be presented together with the related carrying amount in a form that makes it clear whether the amounts represent assets or liabilities and how the carrying amount relates to what is reported in the statement of financial position.

- A company shall disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments.

- The FSP is effective for interim and annual reporting periods ending after March 15, 2009.

Summary of CFA Institute Positions

- CFA Institute supports the proposal to extend the annual fair value disclosure requirements to interim reporting periods by amending FASB Statement No. 107 *Disclosures about Fair Value of Financial Instruments*. This will provide more timely fair value information that is necessary for users to assess risks associated with financial assets and liabilities.

- CFA Institute supports the decision by the Financial Accounting Standards Board (Board) to add a joint project with the International Accounting Standards Board (IASB) to address the accounting and reporting for financial instruments. We urge the Board to work expeditiously with the IASB to reduce complexity by requiring fair value accounting for all financial instruments, preferably within the next year.

General Comments

As noted in our comment letter to the Board regarding FSP FAS 107-a *Disclosures about Fair Value of Financial Instruments*[3] and on many other occasions, CFA Institute strongly advocates that the Board and the IASB should require companies to record all financial instruments (both assets and liabilities) at fair value since this method provides the best representation of economic reality[4]. We also believe that changes in fair value should be included in the determination of net income reflected on the face of the income statement.

3 CFA Institute Comment Letter FSP FAS 107-a *Disclosures about Fair Value of Financial Instruments*, January 15, 2009 http://www.cfainstitute.org/centre/topics/comment/2009/090115.html

4 See CFA Institute website regarding response to the current global financial crisis. http://www.cfainstitute.org/centre/news/turmoil.html

We support amending FAS Statement No. 107 to require the disclosures of fair value information in interim and annual reporting periods until such time that the Board and IASB complete their recently added comprehensive project to address the complexity related to recognition and measurement of financial instruments. In our meetings with the Board and in several letters we have stated that the FAS 107 disclosures are a logical place to start because preparers and users have experience with them over many years.

Requiring these disclosures in interim reporting periods will enable users to better understand different measurement attributes for financial instruments in a more timely fashion and increase the overall usefulness of financial statements. The annual disclosures required by FAS 107 lose relevance very quickly when markets change as rapidly as they have in the past few years. However, we stress that both the quantitative and qualitative disclosures should be of high quality in order for users to sufficiently assess the risks and returns associated with financial instruments. Furthermore, in our comment letter addressing FSP FAS 107-a *Disclosures about Fair Value of Financial Instruments* we emphasized more granular qualitative disclosures regarding methodologies used to estimate key inputs for financial assets and other enhancements. We would expect that preparers would provide disclosures that relate specifically to their exposures and avoid uninformative boiler plate.

We anticipate that preparers may object to filing the proposed interim disclosure of fair values by citing excessive costs. However, we believe that companies with sound risk management practices and reporting systems should have this information readily available as a routine component of the business process. In the current environment, we believe that managements track risk exposures closely, in some cases on a daily or weekly basis.

In addition, we strongly encourage the Board and the IASB to develop XBRL taxonomies for the kinds of disclosures contemplated by the FSP. We believe that would facilitate the preparation of the recommended disclosures including potential changes and enhancements over time while helping to reduce the cost of preparation. Accordingly, we suggest that the Board and the IASB begin to develop a more formalized arrangement to expand the application of XBRL into the standard setting process-particularly for projects dealing with new or expanded disclosures.

Finally, we urge the Board to work expeditiously with the IASB to reduce complexity by requiring fair value accounting for all financial instruments, preferably within the next year.

If you, other Board members or your staff have questions or seek further elaboration of our views, please contact either Matthew Waldron, CPA, by phone at +1.434-951-5321, or by e-mail at matthew.waldron@cfainstitute.org, or Patrick Finnegan, CFA, by phone at +1.212.754.8350, or by e-mail at patrick.finnegan@cfainstitute.org.

Sincerely,

/s/ Kurt N. Schacht	*/s/ Gerald I. White*
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Managing Director	Chair, Corporate Disclosure Policy Council