



Organización Internacional de Comisiones de Valores
International Organisation of Securities Commissions
Organisation internationale des commissions de valeurs
Organizaçao Internacional das Comissões de Valore

October 4, 2010

Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: ED: *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities*

Dear FASB Members:

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting (Standing Committee No. 1) thanks you for the opportunity to provide our comments regarding the Financial Accounting Standards Board (FASB) Exposure Draft on Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities (the ED or the Exposure Draft).

IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of Standing Committee No. 1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect a general consensus among the members of Standing Committee No. 1 and are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

Standing Committee No. 1 focused our review on the portions of the ED that address classification, measurement and impairment of financial assets because those matters are those that we have so far considered. These are areas in which we have recently provided comments on proposals issued by the International Accounting Standards Board (IASB). We have not considered the hedge accounting provisions included in the ED, since the IASB has not yet issued its IFRS proposal on this matter. In this letter we have chosen to provide only high-level observations on what we view as some of the fundamental differences between the FASB and IASB proposals.

General Observations

Convergence

We support the FASB's undertaking this project to improve the quality of information about financial instruments provided to investors. We believe an important goal of this project is for the FASB and the

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IASB (the Boards) to reach converged accounting standards for financial instruments. We encourage the Boards to continue to work toward this outcome, and with giving due regard to the quality of the standards will be disappointed if this objective is not met. We have a strong preference for converged standards. If this objective cannot be met we think the Boards should consider whether comparable information is being provided to investors, even if the presentation of that information differs. In considering whether comparable information can be provided under both sets of standards, the Boards will need to analyze the costs relative to the benefits of additional disclosure requirements.

Classification and Measurement

We have considered the FASB's proposal to broaden the category of financial instruments measured at fair value with changes in fair value recognized in other comprehensive income, resulting in most financial instruments that are recognized in the Statement of Financial Position being measured at fair value. We have also considered the alternative view described in the ED which would maintain amortized cost as the measurement basis for a significant portion of financial instruments, as well as considered the classification and measurement guidance included in IFRS 9. While we agree that both amortized cost and fair value measurements can provide useful information about financial instruments to investors, we do not yet have a consensus view on exactly how to balance the trade-offs between the different approaches. Most members are supportive of a mixed measurement model in which amortized cost continues to be the measurement attribute that impacts a company's stockholders' equity for certain financial instruments, based on both the business model for which the instrument is held and the characteristics of the instrument. Another view expressed is that having fair value as a measurement attribute for most financial instruments can provide investors with useful information.

Impairment

As we noted in our letter to the IASB in response to their Amortized Cost and Impairment Exposure Draft, we see the conceptual merits of an expected loss model that incorporates all expectations involving future cash flows. We have concerns about the level of comparability that could result from a subjective model that does not require reasonable support for cash flow forecasts. While the FASB's proposal to have impairment measurements based solely on past events and existing conditions could narrow the range of estimates used to predict future cash flows, one significant drawback we see is that not incorporating all information relevant to future expectations may result in an impairment measurement that does not reflect an institution's best estimate of expected credit losses.

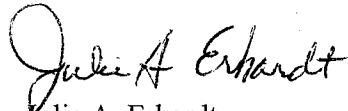
In assessing the FASB's proposed model for recognition of impairment losses, we considered whether there are merits to recognizing all expected credit losses for newly-originated loans immediately in net income. While recognizing all expected credit losses immediately may be operational, we have concerns about whether a model that results in day one loss recognition for newly-originated loans accurately reflects the economics of the arrangement if the loan's terms appropriately factor credit loss expectations into the pricing of the loan (that is, the interest rate charged is commensurate with the expected credit losses). We believe the Boards should work together to develop an impairment approach that provides investors with better information about the timing and amount of expected credit losses, and that can also be faithfully applied in an operational manner.

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We appreciate your thoughtful consideration of the comments raised in this letter. Further information about our views on these matters are contained in our comment letters to the IASB on their related proposals. If you have any questions or need additional information on the recommendations and

comments that we have provided, please do not hesitate to contact me at 202-551-5300.

Sincerely,

A handwritten signature in black ink that reads "Julie A. Erhardt". The signature is written in a cursive style with a large initial "J".

Julie A. Erhardt

Chairman

IOSCO Standing Committee No. 1

Cc: International Accounting Standards Board