

Capital Markets Accounting Developments Advisory*

Financial Instruments and Credit Group (FICG)

2010-3
March 10, 2010

Revised Disclosures about Fair Value Measurements Required Beginning in 2010

Overview

The FASB recently issued Accounting Standards Update 2010-06, *Improving Disclosures about Fair Value Measurements* ("ASU 2010-06"), which requires a gross presentation of activities within the Level 3 roll forward, and adds a requirement to disclose transfers in and out of Level 1 and 2 measurements.

The requirements are effective for the first interim or annual reporting period beginning after December 15, 2009. The gross presentation of the Level 3 roll forward information is required for annual and interim reporting periods beginning after December 15, 2010.

FICG Observation: The updated guidance does not require a detailed roll forward of Level 2 measurements. It also does not require a sensitivity analysis for Level 3 measurements as proposed in the exposure draft.

Background

The FASB added a fair value disclosure project to its agenda in February 2009 to address concerns raised about existing disclosures and to explore possible enhancements to ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820") (formerly FASB Statement No. 157, *Fair Value Measurements*). The overall goal was to:

- enhance fair value disclosures,
- improve transparency, and
- improve comparability with International Financial Reporting Standards (IFRS).

The Exposure Draft (ED) was released on August 28, 2009, and many of the key provisions of ASU 2010-06, are consistent with the ED.

One significant change to the ED was the elimination of a sensitivity analysis for Level 3 measurements. The proposed ASU included a requirement to disclose the effect of reasonably possible alternative Level 3 inputs when the impact of alternative scenarios was significant. The FASB decided not to retain the proposed requirement for Level 3 sensitivity disclosures requirements. However, the requirements will be reconsidered as part of the joint fair value measurement project with the IASB.

FICG Observation: The sensitivity disclosures would have required reporting entities to determine if there would be a significant impact on fair value if inputs into recurring and nonrecurring Level 3 fair value measurements were changed to "reasonably possible" alternative inputs. Significant differences would need to be quantified and disclosed with a description of how the amounts were calculated.

The FASB decided to continue discussion around Level 3 sensitivity disclosures as part of the joint FASB and IASB project on fair value measurement and disclosures. A similar requirement to disclose the effect of reasonably possible alternative Level 3 inputs currently is included in IFRS 7, *Financial Instruments: Disclosures*.

The current timeline for the joint project anticipates an exposure draft in the second quarter of 2010, with a final standard in the second half of 2010. Stay tuned.

Key Changes

ASU 2010-06 amends ASC 820-10, *Fair Value Measurements and Disclosures - Overall*, to include two major new disclosure requirements and clarify two existing disclosure requirements.

New Disclosures

- Details of significant transfers in and out of Level 1 and Level 2 measurements and the reasons for the transfers; and
- A gross presentation of activity within the Level 3 roll forward, presenting separately information about purchases, sales, issuances, and settlements.

Significance is measured with respect to total earnings and total assets or total liabilities or, when changes in fair value are recognized in other comprehensive income, with respect to total equity. Additional information regarding transfers between levels, including gross presentation of the roll forward activities for Level 3 measurements, is now required. The additional information will provide a greater level of transparency regarding the activity within a reporting period and greater consistency with disclosures prepared under IFRS.

FICG Observation: The final ASU does not prescribe a methodology for disclosures of changes in levels. The guidance states:

"A reporting entity shall disclose and consistently follow its policy for determining when transfers between levels are recognized. The policy about the timing of recognizing transfers shall be the same for transfers into the levels as that for transfers out of the levels."

The ASU provides three examples of policies using actual date, beginning of the period, and end of the period conventions. The ability to establish an accounting policy for the transfer convention is an improvement over the proposed guidance. It provides flexibility to select an appropriate accounting policy and is consistent with the guidance in IFRS 7, *Financial Instruments: Disclosures*, which does not specify a presumption as to the timing of transfers between levels.

Clarified Disclosures

The final ASU modified two existing disclosure requirements in ASC 820-10 for both interim and annual periods related to:

- the level of disaggregation of fair value measurements; and
- disclosures regarding inputs and valuation techniques.

The guidance requires fair value disclosures by class of assets and liabilities rather than by major category. Classes of equity and debt securities are based on the nature and risks of the investments in a manner consistent with ASC 320-10-50, *Investments - Debt and Equity Securities - Overall - Disclosures*, paragraph 320-10-50-1B and, if applicable, the guidance on major security type in ASC 942-320-50, *Financial Services - Depository and Lending - Disclosure*,

paragraph ASC 942-320-50-2. Reporting entities need to apply judgment to determine the appropriate classes of other assets and liabilities.

The guidance states that fair value measurements will often require greater disaggregation than the line items in the balance sheet.

FICG Observation: The FASB provided clarification for the concept of major category for equity and debt securities in FASB Staff Position No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. Under the guidance in ASU 2010-06, reporting entities must categorize their assets and liabilities based on the criteria in ASC 320-10-50-1B for debt and equity securities, and on the nature and risks of the other assets and liabilities.

Generally the guidance will require more detailed disclosures of fair value measurements. Reporting entities should consider the new requirements and start planning for the operational impacts of the new requirements.

The classification of measurements in the fair value hierarchy is also affected by the varying degrees of uncertainty and subjectivity involved in the measurements at each level. The number of classes may need to be greater for fair value measurements using significant unobservable inputs (i.e., Level 3 measurements).

The ASU also states that the classification of measurements in the fair value hierarchy also shall affect the level of disaggregation because of the varying degrees of uncertainty and subjectivity involved in the measurements at each level. Additionally, the number of classes may need to be greater for fair value measurements using significant unobservable inputs (i.e., Level 3 measurements).

The second clarification relates to disclosures of valuation techniques and inputs for recurring and nonrecurring fair value measurements using significant other observable inputs and significant unobservable inputs (i.e., Level 2 and Level 3 measurements).

The ASU clarifies that reporting entities must disclose the valuation technique used and the inputs used in determining the fair values of each class of assets and liabilities. This clarifies that the existing disclosure requirement of ASC 820 applies to Level 2 as well as Level 3 measurements. Further, for recurring measurements it clarifies that disclosure of the inputs used is required, as the FASB believes that a discussion regarding valuation techniques is incomplete without discussion of the inputs.

Derivatives Exception

Consistent with the current guidance in ASC 820-10, ASU 2010-06 allows disclosure of derivative assets and liabilities in the Level 3 roll forward to be presented on either a gross or a net basis.

FICG Observation: Although derivatives can be presented on either a gross or net basis in the Level 3 roll forward, the fair value hierarchy table still requires gross presentation of derivative assets and liabilities.

Effective Date and Transition

The ASU is effective for the first interim or annual reporting period beginning after December 15, 2009, except for the gross presentation of the Level 3 roll forward.

The Level 3 roll forward changes apply to annual reporting periods beginning after December 15, 2010 and for interim reporting periods within those years. Early application is permitted and comparative disclosures are not required in the period of initial adoption.

FICG Observation: The FASB chose a two-part transition based on concerns expressed in the comment letter process. Many constituents expressed concern over the ability to implement the guidance in the first quarter.

The FASB acknowledged the potential need for significant changes to current information systems might be necessary to capture the data required for the Level 3 roll forward, and decided to delay the effective date as described above.

The new level of disaggregation of fair value measurements is applicable in the first quarter of 2010 for calendar year-end companies.

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Appendix A - Excerpts from ASC 820-10 - Fair Value Measurements and Disclosures—Overall

Disclosures - 820--10-50

Interim and Annual Disclosures (Recurring Measurements)

820-10-50-1 The reporting entity shall disclose information that enables users of its financial statements to assess both of the following:

- a. For assets and liabilities that are measured at **fair value** on a recurring basis in periods subsequent to initial recognition (for example, trading securities), the valuation techniques and **inputs** used to develop those measurements
- b. For recurring fair value measurements using significant **unobservable inputs** (Level 3), the effect of the measurements on earnings (or changes in net assets) for the period.

820-10-50-2 To meet the objectives of the preceding paragraph, the reporting entity shall disclose all of the information in (a) through (e) below for each interim and annual period separately for each class of assets and liabilities.

The reporting entity shall determine appropriate classes of assets and liabilities on the basis of guidance in the following paragraph. It shall provide sufficient information to permit reconciliation of the fair value measurement disclosures for the various classes of assets and liabilities to the line items in the statement of financial position.

- a. The fair value measurement at the reporting date.
- b. The level within the fair value hierarchy in which the fair value measurement in its entirety, falls, segregating the fair value measurement using any of the following:
 1. Quoted prices in active markets for identical assets or liabilities (Level 1)
 2. Significant other **observable inputs** (Level 2)
 3. Significant unobservable inputs (Level 3).
- bb. The amounts of significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for the transfers.

Significant transfers into each level shall be disclosed separately from transfers out of each level. For this purpose, significance shall be judged with respect to earnings and total assets or total liabilities or, when changes in fair value are recognized in other comprehensive income, with respect to total equity.

A reporting entity shall disclose and consistently follow its policy for determining when transfers between levels are recognized. The policy about the timing of recognizing transfers shall be the same for transfers into the levels as that for transfers out of the levels.

Examples of policies for when to recognize the transfers are as follows:

1. The actual date of the event or change in circumstances that caused the transfer
2. The beginning of the reporting period
3. The end of the reporting period.

c. For fair value measurements using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to any of the following:

1. Total gains or losses for the period (realized and unrealized), separately presenting gains or losses included in earnings (or changes in net assets) and gains or losses recognized in other comprehensive income, and a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of income (or activities) or in other comprehensive income

2. Purchases, sales, issuances, and settlements (each type disclosed separately)

3. Transfers in and/or out of Level 3 and the reasons for those transfers. Significant transfers into Level 3 shall be disclosed separately from significant transfers out of Level 3. For this purpose, significance shall be judged with respect to earnings and total assets or total liabilities or, when changes in fair value are recognized in other comprehensive income, with respect to total equity. A reporting entity shall disclose and consistently follow its policy for determining when transfers between levels are recognized. The policy about the timing of recognizing transfers shall be the same for transfers into Level 3 as that for transfers out of Level 3. Examples of policies for when to recognize the transfers are as follows:

- i. The actual date of the event or change in circumstances that caused the transfer
- ii. The beginning of the reporting period
- iii. The end of the reporting period.

d. The amount of the total gains or losses for the period in (c)(1) included in earnings (or changes in net assets) that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date and a description of where those unrealized gains or losses are reported in the statement of income (or activities).

e. For fair value measurements using significant other observable inputs (Level 2) and significant unobservable inputs (Level 3), a description of the valuation technique (or multiple valuation techniques) used, such as the market approach, income approach, or the cost approach, and the inputs used in determining the fair values of each class of assets or liabilities. If there has been a change in the valuation technique(s) (for example, changing from a market approach to an income approach or the use of an additional valuation technique), the reporting entity shall disclose that change and the reason for making it. For examples of disclosures that a reporting entity may present to comply with the requirement to disclose the inputs used in measuring fair value in this paragraph, see paragraphs 820-10-55-22A through 55-22B.

Classes of Securities

820-10-50-2A For equity and debt securities, class shall be determined on the basis of the nature and risks of the investments in a manner consistent with the guidance in paragraph 320-10-50-1B and, if applicable, shall be the same as the guidance on major security type as described in paragraph 942-320-50-2 even if the equity securities or debt securities are not within the scope of paragraph 320- 10-50-1B.

For all other assets and liabilities, judgment is needed to determine the appropriate classes of assets and liabilities for which disclosures about fair value measurements should be provided. Fair value measurement disclosures for each class of assets and liabilities often will require greater disaggregation than the reporting entity's line items in the statement of financial position.

A reporting entity shall determine the appropriate classes for those disclosures on the basis of the nature and risks of the assets and liabilities and their classification in the fair value hierarchy (that is, Levels 1, 2, and 3).

In determining the appropriate classes for fair value measurement disclosures, the reporting entity shall consider the level of disaggregated information required for specific assets and liabilities under other Topics. For example, under Topic 815, disclosures about derivative instruments are presented separately by type of contract such as interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, and credit contracts.

The classification of the asset or liability in the fair value hierarchy also shall affect the level of disaggregation because of the different degrees of uncertainty and subjectivity involved in Level 1, Level 2, and Level 3 measurements.

For example, the number of classes may need to be greater for fair value measurements using significant unobservable inputs (that is, Level 3 measurements) to achieve the disclosure objectives because Level 3 measurements have a greater degree of uncertainty and subjectivity.

Derivative Assets and Liabilities

820-10-50-3 For derivative assets and liabilities, the reporting entity shall present both of the following:

- a. The fair value disclosures required by paragraph 820-10-50-2(a) through (bb) on a **gross basis** (which is consistent with the requirement of paragraph 815-10-50-4B(a))
- b. The reconciliation disclosure required by paragraph 820-10-50-2(c) through (d) on either a **gross or a net** basis.

Nonrecurring Measurements

820-10-50-5 For assets and liabilities that are measured at fair value on a nonrecurring basis in periods subsequent to initial recognition (for example, impaired assets), the reporting entity shall disclose information that enables users of its financial statements to assess the valuation techniques and inputs used to develop those measurements.

To meet that objective, the reporting entity shall disclose all of the following information for each interim and annual period separately for each class of assets and liabilities.

The reporting entity shall determine classes of assets and liabilities on the basis of the guidance in paragraph 820-10-50-2A.

- a. The fair value measurement recorded during the period and the reasons for the measurement
- b. The level within the fair value hierarchy in which the fair value measurement in its entirety falls, segregating the fair value measurement using any of the following:
 1. Quoted prices in active markets for identical assets or liabilities (Level 1)
 2. Significant other observable inputs (Level 2)
 3. Significant unobservable inputs (Level 3).
- c. Subparagraph superseded by Accounting Standards Update 2010-06.
- d. For fair value measurements using significant other observable inputs (Level 2) and significant unobservable inputs (Level 3), the disclosure required by paragraph 820-10-50-2(e).The inputs and valuation technique(s) used to measure fair value and a discussion of changes, if any, in the valuation technique(s) and related inputs used to measure similar assets and/or liabilities in prior periods.

Disclosures of Investments in Certain Entities that Calculate Net Asset Value Per Share (or Its Equivalent)

820-10-50-6A For investments that are within the scope of paragraphs 820-10- 15-4 through 15-5 (regardless of whether the practical expedient in paragraph 820-10-35-59 has been applied) and measured at fair value on a recurring or nonrecurring basis during the period, the reporting entity shall disclose information that enables users of its financial statements to understand

- the nature and risks of the investments and
- whether the investments are probable of being sold at amounts different from net asset value per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed).

To meet that objective, to the extent applicable, the reporting entity shall disclose all of the following information for each interim and annual period separately for each class of investment (class of investment shall be determined on the basis of the nature and risks of the investments in a manner consistent with the guidance for major security types in paragraph 320-10-50-1B):

- a. The fair value (as determined by applying paragraphs 820-10-35-59 through 35-62) of the investments in the class, and a description of the significant investment strategies of the investee(s) in the class.

b. For each class of investment that includes investments that can never be redeemed with the investees, but the reporting entity receives distributions through the liquidation of the underlying assets of the investees, the reporting entity's estimate of the period of time over which the underlying assets are expected to be liquidated by the investees.

c. The amount of the reporting entity's unfunded commitments related to investments in the class.

d. A general description of the terms and conditions upon which the investor may redeem investments in the class (for example, quarterly redemption with 60 days' notice).

e. The circumstances in which an otherwise redeemable investment in the class (or a portion thereof) might not be redeemable (for example, investments subject to a lockup or gate).

Also, for those otherwise redeemable investments that are restricted from redemption as of the reporting entity's measurement date, the reporting entity shall disclose its estimate of when the restriction from redemption might lapse. If an estimate cannot be made, the reporting entity shall disclose that fact and how long the restriction has been in effect.

f. Any other significant restriction on the ability to sell investments in the class at the measurement date.

g. If a reporting entity determines that it is probable that it will sell an investment(s) for an amount different from net asset value per share (or its equivalent) as described in paragraph 820-10-35-62, the reporting entity shall disclose the total fair value of all investments that meet the criteria in paragraph 820-10-35-62 and any remaining actions required to complete the sale.

h. If a group of investments would otherwise meet the criteria in paragraph 820-10-35-62 but the individual investments to be sold have not been identified (for example, if a reporting entity decides to sell 20 percent of be sold have not been identified), so the investments continue to qualify for the practical expedient in paragraph 820-10-35-59, the reporting entity shall disclose its plans to sell and any remaining actions required to complete the sale(s).

Implementation Guidance and Illustrations - Disclosures—Valuation Techniques and Inputs

820-10-55-22A Examples of disclosures that the reporting entity may present to comply with the input disclosure requirement of paragraph 820-10-50-2(e) include the following:

a. Quantitative information about the inputs, for example, for certain debt securities or derivatives, information such as, but not limited to, prepayment rates, rates of estimated credit losses, interest rates (for example, LIBOR swap rate) or discount rates, and volatilities.

b. The nature of the item being measured at fair value, including the characteristics of the item being measured that are considered in the determination of relevant inputs. For example, for residential mortgage backed securities, a reporting entity may conclude that meeting the objective of this disclosure requirement requires disclosure of items such as the following:

1. The types of underlying loans (for example, subprime or home equity lines of credit)
2. Collateral
3. Guarantees or other credit enhancements
4. Seniority level of the tranches of securities
5. The year of issuance
6. The weighted-average coupon rate of the underlying loans and the securities
7. The weighted-average maturity of the underlying loans and the securities
8. The geographical concentration of the underlying loans

9. Information about the credit ratings of the securities.
- c. How third-party information such as broker quotes, pricing services, net asset values, and relevant market data was considered in measuring fair value.

Residential Mortgage Backed Securities

820-10-55-22B For example, with respect to its investment in a class of residential mortgage-backed securities, a reporting entity may disclose the following:

As of December 31, 20X1, the fair value of the entity's investments in available-for-sale Level 3 residential mortgage-backed securities was \$XXX million. These securities are senior tranches in a securitization trust and have a weighted-average coupon rate of XX percent and a weighted average maturity of XX years. The underlying loans for these securities are residential subprime mortgages that originated in California in 2006.

The underlying loans have a weighted-average coupon rate of XX percent and a weighted-average maturity of XX years. These securities are currently rated below investment grade. To estimate their fair value, the entity used an industry standard valuation model, which is based on an income approach.

The significant inputs for the valuation model include the following weighted averages:

- a. Yield: XX percent
- b. Probability of default: XX percent constant default rate
- c. Loss severity: XX percent
- d. Prepayment: XX percent constant prepayment rate.

Net Asset Value

Case D: Disclosure—Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

820-10-55-64A For investments that are within the scope of paragraphs 820-10- 15-4 through 15-5 measured at fair value on a recurring or nonrecurring basis during the period, in addition to the disclosures required in paragraphs 820-10-50-1 through 50-2 and 820-10-50-5, this Subtopic requires disclosure of information that enables users to understand the nature and risk of the investments by major class and whether the investments are probable of being sold at amounts different from net asset value per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) (see paragraph 820-10-50-6A).

That information may be presented as follows. (The major classes presented below are provided as examples only and are not intended to be treated as a template. The major classes disclosed should be tailored to the nature and risks of the reporting entity's investments.)

Fund Type	Fair Value (millions)	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity long and short (Note a)	\$55		Quarterly	30-60 days
Equity driven (Note b)	45		Quarterly, Annually	30-60 days
Global opportunities (Note c)	35		Quarterly	30-45 days
Multi-Strategy (Note d)	40		Quarterly	30-60 days
Real Estate (Note e)	47	20		
Private equity international (Note f)	43	15		
Total	\$205	\$35		

Note a - This class includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.

The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Investments representing approximately 22 percent of the value of the investments in this class cannot be redeemed because the investments include restrictions that do not allow for redemption in the first 12 to 18 months after acquisition. The remaining restriction period for these investments ranged from three to seven months at December 31, 20X3.

Note b - This class includes investments in hedge funds that invest in approximately 60 percent equities and 40 percent bonds to profit from economic, political, and government driven events. A majority of the investments are targeted at economic policy decisions. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Note c - This class includes investments in hedge funds that hold approximately 80 percent of the funds' investments in non-U.S. common stocks in the healthcare, energy, information technology, utilities, and telecommunications sectors and approximately 20 percent of the funds' investments in diversified currencies.

The fair values of the investments in this class have been estimated using the net asset value per share of the investments. For one investment, valued at \$8.75 million, a gate has been imposed by the hedge fund manager and no redemptions are currently permitted. This redemption restriction has been in place for six months and the time at which the redemption restriction might lapse cannot be estimated.

Note d - This class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this category class includes investments in approximately 50 percent U.S. common stocks, 30 percent global real estate projects, and 20 percent arbitrage investments.

The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Investments representing approximately 15 percent of the value of the investments in this class cannot be redeemed because the investments include restrictions that do not allow for redemption in the first year after acquisition. The remaining restriction period for these investments ranged from four to six months at December 31, 20X3.

Note e - This class includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset value of the Company's ownership interest in partners' capital.

These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 7 to 10 years.

Twenty percent of the total investment in this class is planned to be sold. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been estimated using the net asset value of the Company's ownership interest in partners' capital.

Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an action process. The investee fund's management must approve of the buyer before the sale of the investments can be completed.

Note f - This class includes several private equity funds that invest primarily in foreign technology companies. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 5 to 8 years.

However, as of December 31, 20X3, it is probable that all of the investments in this class will be sold at an amount different from the net asset value of the Company's ownership interest in partners' capital. Therefore, the fair values of the investments in this class have been estimated using recent observable transaction information for similar investments and non-binding bids received from potential buyers of the investments.

As of December 31, 20X3, a buyer (or buyers) for these investments has not yet been identified. Once a buyer has been identified, the 20 investee fund's management must approve of the buyer before the sale of the investments can be completed.

Transition Related to Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*

820-10-65-7 The following represents the transition and effective date information related to Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*:

- a. The pending content that links to this paragraph shall be effective for interim and annual reporting periods beginning after December 15, 2009, except for the separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements (see paragraph 820-10-50-2(c)(2)), which shall be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.
- b. In the period of initial adoption, the reporting entity shall not be required to provide the disclosures otherwise required by the pending content that links to this paragraph for any previous periods presented for comparative purposes.
- c. In periods after initial adoption, comparative disclosures of the pending content that links to this paragraph shall be required only for periods ending after initial adoption.
- d. Early adoption of the pending content that links to this paragraph is permitted.

Appendix B - Effective Dates of Selected US GAAP Standards

Standard	Date Issued	Effective Dates
Update No. 2010-10 - Consolidation (Topic 810) Amendments for Certain Investment Funds	February 2010	The beginning of the first annual and interim reporting periods beginning after November 15, 2009. Effective date coincides with the Statement 167 amendments to Topic 810.
Update No,2010-09 - Subsequent Events (Topic 855) - Amendments to Certain Recognition and Disclosure Requirements	February 2010	All of the amendments in this Update are effective immediately and shall be applied prospectively, except as noted below. The use of the issued date for a conduit debt obligor for conduit debt securities that are traded in a public market is required in interim or annual periods ending after June 15, 2010.
Update No. 2010--06 - Fair Value Measurements and Disclosures (Topic 820) - Improving Disclosures about Fair Value Measurements	January 2010	Effective for interim and annual reporting periods beginning after December 15, 2009, except for the Level 3 disclosures. The disclosures for purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, are effective for fiscal years and interim periods beginning after December 15, 2010. Early adoption is permissible.
Update No. 2010-02 - Consolidation (Topic 810) Accounting and Reporting for Decreases in Ownership of a Subsidiary - A Scope Clarification	January 2010	An entity will be required to follow the amended guidance beginning in the period that if first adopts FAS 160 (included in Subtopic 810-10).
Update 2010-01 - Equity (Topic 505) - Accounting for Distributions to Shareholders with Components of Stock and Cash (A consensus of the FASB EITF)	January 2010	Effective for interim and annual periods ending on or after December 15, 2009. Apply guidance retrospectively.
Update No. 2009-17 - Consolidations (Topic 810) Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities	December 2009	Amends codification for Statement 167. Effective at the beginning of the fiscal year beginning after November 15, 2009.

Standard	Date Issued	Effective Dates
Update No, 2009-16 Transfers and Servicing (Topic 860) Accounting for Transfer of Financial Assets	December 2009	Amends codification for Statement 166. Effective at the beginning of the fiscal year beginning after November 15, 2009.
Update No. 2009-12 - Fair Value Measurements and Disclosures (Topic 820) Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)	September 2009	Effective for interim and annual periods ending after December 15, 2009.
Update No. 2009-06 - Income Taxes (Topic 740) Implementation Guidance for Uncertainty In Income Taxes and Disclosure Amendments for Nonpublic Entities	September 2009	For entities applying the tax uncertainty standard, the guidance and disclosure amendments are effective for interim and annual periods after September 15, 2009. For entities electing deferral, the guidance is effective upon adoption.
Update No. 2009-05 - Fair Value Measurements and Disclosures (Topic 820) Measuring Liabilities at Fair Value	August 2009	Effective for the first reporting period after issuance.
FAS 168 - The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (a replacement of FAS 162	June 2009	Effective for financial statements issued for interim and annual periods ending after September 15, 2009.
FAS 167 - Amendments to FASB Interpretation No. 46	June 2009	Effective for fiscal years beginning after November 15, 2009.
FAS 166 - Accounting for Transfer of Financial Assets - an Amendment of FAS 140	June 2009	Effective for fiscal years beginning after November 15, 2009.
FAS 165 - Subsequent Events	May 2009	Effective for interim and annual financial statements after June 15, 2009.
FAS 163 - Accounting for Financial Guarantee Insurance Contracts - an Interpretation of FASB Statement No. 60	May 2008	Effective for interim and annual financial statements after December 15, 2008.
FAS 161 - Disclosures About Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133	March 2008	Effective for interim and annual financial statements after November 15, 2008.

Standard	Date Issued	Effective Dates
FAS 141 - Business Combinations (revised 2007)	December 2007	Effective for business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after December 15, 2008.
FAS 157 - Fair Value Measurements	September 2006	Effective for interim and annual financial statements after November 15, 2007
FIN 48 - Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109	June 2006	Effective for interim and annual financial statements beginning after December 15, 2006.
FSP FAS 157-4 - Determining Fair Value When the Volume and Level of Activity for the Asset and Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly	April 2009	Effective for interim and annual financial statements after June 15, 2009.
FSP FAS 115-2 - Recognition and Presentation of Other Than Temporary Impairments	April 2009	Effective for interim and annual financial statements after June 15, 2009. Early adoption for periods ending after March 15, 2009.
FSP FAS 107-1 and APB 28-1 - Interim Disclosures about Fair Value of Financial Instruments	April 2009	Effective for interim and annual financial statements after June 15, 2009. Early adoption for periods ending after March 15, 2009.
FSP FAS 141 (R) - 1 - Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise From Contingencies	April 2009	Effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning on or after December 15, 2008.
FSP EITF 99-20-1 - Amendments to the Impairment Guidance of EITF Issue No. 99-20	January 2009	Effective for interim and annual financial statements after December 15, 2008. Apply prospectively.
FSP FAS 132 (R) 1 - Employers' Disclosures About Post Retirement Benefit Plan Assets	December 2008	Effective for interim and annual financial statements after December 15, 2009.

Standard	Date Issued	Effective Dates
FSP FAS 140-4 and FIN 46 R -8 - Disclosures by Public Entities about Transfers of Financial Assets and Interests in Variable Interest Entities	December 2008	Effective for interim and annual financial statements after December 15, 2008. Early application permitted.
FSP FAS 157-3 - Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active	October 2008	Effective upon issuance.
FSP FAS 133-1 and FIN 45-4 - Disclosures about Credit Derivatives and Certain Guarantees - An amendment of FASB Statement No. 133 and FIN 45: and Clarification of the Effective Date of FASB Statement No. 161	September 2008	Effective for interim and annual financial statements after June 15, 2009. Early application permitted for periods ending after March 31, 2009.
FSP EITF 03-6-1 - Determining Whether Instruments Granted in Share Based Payment Transactions Are Participating Securities	June 2008	Effective for interim and annual financial statements after December 15, 2008.
FSP APB 14-1 - Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlements)	May 2008	Effective for interim and annual financial statements after December 15, 2008. Early adoption is not permitted.
FSP FAS 142-3 - Determination of the Useful Life of Intangible Assets	April 2008	Effective for interim and annual financial statements after December 15, 2008. Early adoption is not permitted.
FSP FAS 140-3 - Accounting for Transfers of Financial Assets and Repurchase Financing	February 2008	Effective for interim and annual financial statements after November 15, 2008. Early adoption is not permitted.
FSP 157-2 - Effective Date of FASB Statement No. 157	February 2008	Effective upon issuance.
FSP 157-1 Application of FASB Statement No. 158 to FASB Statement No. 13	February 2008	Effective upon the initial adoption of FAS 157.

Appendix C - Example Disclosure: Fair Value Hierarchy Table

(\$ in millions)

Fair Value at Reporting Date Using

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un-observable Inputs (Level 3)	Total
Trading Securities				
Equity securities — real estate industry	\$ 70	\$ 23		\$ 93
Equity securities — oil and gas	45			45
Equity securities — other	15			15
Total trading securities	<u>\$ 130</u>	<u>\$ 23</u>		<u>\$ 153</u>
AFS debt securities				
Residential-mortgage-backed securities		\$ 24	\$ 125	\$ 149
Commercial-mortgage-backed securities			50	50
Collateralized debt obligations			35	35
U.S. Treasury securities	\$ 85			85
Corporate bonds	9	\$ 84		93
Total AFS debt Securities	<u>\$ 94</u>	<u>\$ 108</u>	<u>\$ 210</u>	<u>\$ 412</u>
AFS equity securities				
Financial services industry	\$ 150			\$ 150
Healthcare industry	110			110
Other	15			15
Total AFS equity securities	<u>\$ 275</u>			<u>\$ 275</u>
Total AFS securities	<u>\$ 369</u>	<u>\$ 108</u>	<u>\$ 210</u>	<u>\$ 687</u>
Hedge fund investments				
Equity long/short	\$ 55			\$ 55
Global opportunities	35			35
Distressed debt			\$ 90	90
Total hedge fund investments	<u>\$ 90</u>		<u>\$ 90</u>	<u>\$ 180</u>
			\$ 25	\$ 25
Private equity investments^(a)			10	\$ 10
Venture capital investments^(a)				
Derivatives				
Interest rate contracts		\$ 57		\$ 57
Foreign exchange contracts		43		43
Credit contracts			38	38
Commodity futures contracts	\$ 78			78
Commodity forward contracts		20		20
Total derivatives	<u>\$ 78</u>	<u>\$ 120</u>	<u>\$ 38</u>	<u>\$ 236</u>
Total	<u>\$ 667</u>	<u>\$ 251</u>	<u>\$ 373</u>	<u>\$ 1,291</u>

(a) Based on its analysis of the nature and risks of these investments, the reporting entity has determined that presenting them as a single class is appropriate.

Appendix D - Example Disclosure: Level 3 Roll Forward Table

Roll forward
(\$ in millions)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Available-for-Sale Debt Securities			Other Fund Investments				Total
	Residential Mortgage-Backed Securities	Commercial Mortgage-Backed Securities	Collateralized Debt Obligations	Hedge Fund Distressed Debt	Private Equity	Venture Capital	Derivative Credit Contracts	
Beginning Balance	\$ 100	\$ 39	\$ 25	\$ 145	\$ 20	\$ 11	\$ 30	\$ 370
Transfers into Level 3 ^{(a)(b)}	60							60
Transfers out of Level 3								
Total gains or losses								
Included in earnings (or changes in net assets)	(8)			7	5	(3)	5	6
Included in OCI	(15)	(5)	(7)				(5)	(32)
Purchases, issuances, sales, and settlements								
Purchases		16	17			2	18	53
Issuances								
Sales	(12)			(62)				(74)
Settlements							(10)	(10)
Ending Balance	\$ 125	\$ 50	\$ 35	\$ 90	\$ 25	\$ 10	\$ 38	\$ 373

The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets held at the reporting date.

\$ (5) \$ 5 \$ (3) \$ 2 \$ (1)

- (a) Transferred from Level 2 to Level 3 because of lack of observable market data due to decrease in market activity.
(b) The company's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer.