

Financial Accounting Standards Board
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FOR IMMEDIATE RELEASE

FASB Issues Proposals to Improve Guidance on Fair Value Measurements and Impairments

Norwalk, CT, March 17, 2009—The FASB today issued two proposed staff positions (FSPs) intended to provide additional application guidance regarding fair value measurements and impairments of securities. Proposed FSP FAS 157-e, *Determining Whether a Market Is Not Active and a Transaction Is Not Distressed*, provides guidelines for making fair value measurements more consistent with the principles presented in FASB Statement No. 157, *Fair Value Measurements*. Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b, *Recognition and Presentation of Other-Than-Temporary Impairments*, provides additional guidance designed to create greater clarity and consistency in accounting for and presenting impairment losses on securities.

Statement 157 provides a framework for measuring fair value and a definition of fair value that contemplates an orderly transaction between market participants, not a forced or distressed sale. In the current economic crisis, many constituents have requested additional authoritative guidance to assist them in determining whether a market is active or inactive, and whether a transaction is distressed. Proposed FSP FAS 157-e would provide this application guidance.

Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b on other-than-temporary impairments (OTTI) is intended to provide greater clarity to investors about the credit and noncredit component of an OTTI event and to more effectively communicate when an OTTI event has occurred. As proposed, the FSP would apply to both debt and equity securities. The proposed FSP requires separate display of losses related to credit deterioration and losses related to other market factors on the income statement. Market-related losses would be recorded in other comprehensive income if it is not likely that the investor will have to sell the security prior to recovery.

If approved, both FSPs would be effective for interim and annual periods ending after March 15, 2009. Constituents are encouraged to review the proposed FSPs and provide comment on whether they agree that the proposed FSPs would improve financial reporting. Written comments on both FSPs are due by Wednesday, April 1, 2009. The proposed FSPs and instructions for submitting comments can be found at www.fasb.org.

The FASB has scheduled a Board meeting on April 2, 2009, to evaluate all comment letters and other input received on the FSPs.

Beyond these near-term proposed improvements, the FASB has a joint project with the International Accounting Standards Board aimed at more broadly revamping and converging their respective standards on accounting for financial instruments.

About the Financial Accounting Standards Board

Since 1973, the Financial Accounting Standards Board has been the designated organization in the private sector for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports and are officially recognized as authoritative by the Securities and Exchange Commission and the American Institute of Certified Public Accountants. Such standards are essential to the efficient functioning of the economy because investors, creditors, auditors, and others rely on credible, transparent, and comparable financial information. For more information about the FASB, visit our website at www.fasb.org.

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