

MEMORANDUM

To: Subscribers to *Fair Value Reporting for Financial Institutions*

From: Sheshunoff Information Services

Subject: Highlights

As new capital requirements and tightened financial markets keep the financial services sector volatile, fair value reporting is of utmost importance to financial institutions. Enclosed is the latest update to your *Fair Value Reporting for Financial Institutions*. This update brings several chapters up to date with the latest developments and decisions in regards to GAAP pronouncements, disclosures of derivative instruments, and accounting for transfer of financial assets and liabilities. Some highlights of this update include the following:

- *FASB Pronouncements*. Exhibit 1.1 is a listing of FASB pronouncements that include fair value requirements. This list has been updated and many of these requirements have recently been changed with the publication of FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities, and FTB 87-3, Accounting for Mortgage Servicing Fees and Rights (See Chapter 5)
- *Generally Accepted Accounting Principles (GAAP)*. Accounting standards for GAAP have been addressed by three major organizations: the SEC, AICPA, and FASB. Only the SEC has been authorized by law to establish GAAP. The type of pronouncements of each entity, and their relationship is discussed in Chapter 3.
- *Emerging Trends in Fair Value Accounting*. Current projects involving fair value measurement and disclosure are summarized, along with other FASB projects. These include Fair Value Option, Transfers of Financial Assets, and Accounting for Hedging Activities. (See Chapter 3)
- *Additional Disclosures Related to Derivatives*. The FASB believes that current disclosure requirements in FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, do not provide adequate information. A new Statement has been issued that requires enhanced disclosures about an institution's derivative and hedging activities, effective for fiscal years beginning after November 15, 2008, with earlier application encouraged. (See Chapter 5)
- *Accounting for Transfer of Financial Assets and Liabilities*. Before the FASB issued its first Statement of Financial Accounting Standards, accounting standards did not adequately address the underlying impact of many of many of the financial instruments that were being used. The project has been on the agenda since 1986, and there has still not been resolution of all the issues involved, a testament to the complexity of the issues. Updated materials for this timely section are found in Chapter 5.
- *Specialized Areas Addressed by the EITF*. Several specialized accounting issued addressed by the emerging Issues Task Force (EITF) have resulted in 489 consensus statements. Relevant statements can be found in Chapter 5.
- *Transfer of Financial Assets*. FASB Statement 140, Accounting for Transfers and Servicing of Financial Assets, has been amended by FASB Statement No. 156, Accounting for Servicing of Financial Assets, and disclosure amendments for FAS 140 were decided upon. (See Chapter 17)