



FASB Abandons Changes to Disclosure of Loss Contingencies

Posted by Noam Noked, co-editor, HLS Forum on Corporate Governance and Financial Regulation, on Saturday July 28, 2012

Editor's Note: The following post comes to us from [Eric M. Roth](#), partner in the litigation department at Wachtell, Lipton, Rosen & Katz, and is based on a Wachtell Lipton memorandum by Mr. Roth and [Peter C. Hein](#).

The Financial Accounting Standards Board ("FASB") voted today to remove from its agenda its outstanding project aimed at modifying the accounting standards applicable to disclosure of loss contingencies.

As noted in prior memos, in 2008 ([memo](#)) and 2010 ([memo](#)) the FASB issued "Exposure Drafts" of proposed new accounting standards for loss contingencies, including litigation contingencies. Numerous comments were submitted in response to the exposure drafts, many of which were opposed to enhanced requirements for loss contingency disclosures ([memo](#)).

Today's vote by the FASB to remove this project from the Board's agenda may reflect a view by the majority of the FASB Board that current requirements under Accounting Standards Codification 450 are sufficient, but the adequacy of corporate loss contingency disclosures may continue to be a subject of compliance and enforcement interest. For example, as we have noted, the SEC has continued efforts to encourage companies to enhance their disclosure of litigation contingencies and, in particular, to provide estimates of both exposure in excess of established accruals and "reasonably possible" losses or range of losses in actions for which accruals have not been established, or to explain why such estimates cannot be provided ([memo](#)).