

April 17, 2009

International Accounting Standards Board  
30 Cannon Street  
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United Kingdom

We appreciate the opportunity to respond to IASB's Request for Views on the FASB's recent amendments on fair value measurement and Impairment requirements. Our views on the Proposed FASB Staff Positions and the ramifications for the IASB are set out below.

### **Overall Comments**

The accelerated pace at which the FASB moved on the proposals has introduced a higher risk of unintended consequences that only a longer period for consideration could have diminished. We appreciate that they followed some abbreviated form of due process, but doubt that the period between the receipt of the numerous comment letters and the balloting of the final standards allowed for a reasonably thorough consideration of all the issues raised, despite best intentions. The list of elements in the proposals that required greater clarity and deeper consideration of the ramifications was long. While the FASB has made some adjustments in the final standards, it is unclear that all issues have been adequately addressed. In our view, these FASB proposals will not achieve consistency in practice and are highly likely to create strong demand for further guidance.

We believe the IASB has done the right thing by seeking the views of its constituents on what actions should be taken in response to the FASB's proposals as it shows that the Board is acting responsibly in a highly charged environment. The Board must continue to demonstrate that it is carefully examining the issues in a balanced way that takes into account all perspectives. Unfortunately, the new FSPs place the IASB in a difficult dilemma. If the IASB adopts something FSP-like it can be seen as succumbing to pressure, if it resists it may be seen as unhelpful and perhaps facing an ultimatum to adopt anyway. It would, of course, be theoretically ideal if the IASB could simply review the FSPs and accept or reject them on the grounds of technical merit. We also understand that it is unlikely the FSPs in their entirety can be superimposed on the existing IFRS framework without other adjustments. We are not sure however, that outright rejection of the FSPs on purely technical merits without consideration of the current environment would help the longer term convergence goal or ultimately would be a sustainable approach.

All agree that the public interest is best served by having a single (converged) set of high quality standards. This is strongly supported by the recent G20 communiqué admonishing the standard setters to work to "achieve a single set of high-quality global accounting

standards". It is unfortunate that these distractions from the more comprehensive joint review of financial instrument accounting have diverted resources.

An overhaul for reporting financial instruments developed jointly by the IASB and FASB remains a matter of great urgency, but adopting some form of the FSPs, without destroying the fabric of existing IFRS, seems necessary for the IASB given the FASB's actions. This case raises technical, governance and political issues; the solution adopted will have to be responsive to these considerations and sought through a credible process.

## **Detailed Responses**

### Fair Value Measurement

The final pronouncement is a significant improvement from the original proposal. In particular we agree with eliminating the presumptions that all transactions in inactive markets are distressed and that broker prices were unusable. We think the final guidance does not represent a significant departure from the previous FSP provided in the fall of 2008. There may be slightly more room for an entity who wishes to take a very aggressive stance to expand the use of model prices over transaction price. However, overall the exhortations to use judgment; to consider a range of factors in determining an inactive market and an "orderly" transaction; and clarification that the measurement objective remains fair value seem consistent with the original FAS 157 guidance and FSP FAS 157-3. We note that at the time of issuance of FSP FAS 157-3 the IASB staff made a statement that they did not believe the FASB guidance was inconsistent with the IASB Expert Advisory Panel Report. Looking back at the Report and the final FSP FASB 157-4, they still seem to be aligned – the advantage of the FSP is that it does provide more examples of indicators that may be considered in making those determinations about the market and transaction prices. We understand that the IASB will be making some adjustments to their pending proposed guidance on Fair Value Measurement to reflect those and agree this is an appropriate step.

### Impairment

We recognize that differences already exist between US GAAP and IFRS (e.g. impairment triggers, management intent test, recoveries of losses, new cost basis, etc...) and we regret that the FASB's proceeding with these proposals widens the gap rather than moves towards convergence. Given the highly charged environment in which the Board is now operating and the pressure being brought to bear, if some action is required on the part of the IASB, aside from progress on the comprehensive project, it may be that the best way forward is to have IASB's technical staff consider the final impairment FSP and suggest ways to align them as an interim measure. If that is not feasible then we believe that the IASB ought to review the two approaches and clarify or highlight areas where there is some commonality. We note that one of the factors an entity is to consider under IFRS in assessing objective evidence of impairment is disappearance of an active market – perhaps such commonalities could be emphasized. One could argue that with the impairment FSP the significant change (other than the modification of the intent test) is in the relocation of impairment amounts related to other than credit. The geography of where the losses are reported might be an area of possible alignment, (leaving aside the

issues of the intent test and reversals of losses for the joint project) which may quell some of the assertions that firms using IFRS are at a comparative disadvantage. We recommend that any action taken by the IASB on this topic not invoke suspension of due process again.

We acknowledge the valid public interest and public policy concerns which underlie the recent high degree of political interest in accounting standards. We believe that the IASB's independence does have to be balanced with demonstrable responsiveness and accountability to the public interest; but we are also of the view that complex technical issues should receive adequate consideration before well-intentioned decisions are made in haste. These are issues to be borne in mind, not just in this specific case, but also when considering structural changes to the IASB's governance and due process going forward. As stated above, we urge that the Boards work diligently and jointly to address these and other differences as part of the comprehensive project on financial instruments already on the agenda.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Faye Choudhury', written over a horizontal line.

Faye Choudhury  
Vice President and Controller