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Ms Sandra Thompson  
IASB  
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Dear Sandra

**Exposure Draft of a Proposed Amendment to IAS 39 'The Fair Value Option'**

The Accounting Standards Board is grateful for the opportunity to comment on the captioned exposure draft.

The Board has considerable reservations about this proposal.

- 1 One of the main advantages of introducing the fair value option was that it makes implementation of the standard easier. Therefore, restricting the option's availability will make implementation more onerous unless the proposed restrictions permit the option to be used in all the circumstances in which the option would make implementation easier. The Board is not convinced that this is so, and would encourage those entities that were planning to rely on the option to consider the matter carefully.
- 2 The Board notes that the effect of the proposed restrictions will be to require entities using the fair value option to maintain systems and procedures (in order to demonstrate compliance with the conditions set out in the proposals) that they would not need to maintain under the current standard.
- 3 The proposal that fair value measures should be not only reliable but also verifiable seems to lead to some inconsistencies that the ASB thinks are unfortunate.
  - One effect of the proposal is that the criteria that need to be met if a change in fair value is to be recognised immediately in the profit and loss account now varies depending on whether the item is *required* to be



accounted for at fair value through profit or loss or whether it is *permitted* to be accounted for at fair value through profit or loss. The Board does not believe that a convincing case has been made in the exposure draft for this difference in approach.

- Another effect of the proposal is that for some types of financial instrument the criteria for recognising an amount in the balance sheet will be less onerous than the criteria for recognising amounts in the P&L. In other words, henceforth what is good enough for the balance sheet will not always be good enough for the P&L. In the ASB's view, a more convincing case needs to be made than is currently made in the exposure draft if such a fundamental principle is to be introduced into the accounting literature.

The Board also shares the views expressed by those IASB Board members whose views are summarised in AV1 through AV7 of the exposure draft.

Yours sincerely

Mary Keegan