

Mr Robert Garnett
Chairman
International Financial Reporting Interpretations Committee
30 Cannon Street
London
United Kingdom
EC4M 6XH

Email: ifric@iasb.org

13 October 2008

Dear Mr Garnett,

Tentative agenda decision: Valuation of Restricted Securities

Deloitte Touche Tohmatsu is pleased to respond to the IFRIC's publication in the September 2008 *IFRIC Update* of the tentative decision not to take onto the IFRIC's agenda a request for an Interpretation of IAS 39 *Financial Instruments: Recognition and Measurement*, with respect to providing guidance on the impact of holder specific restrictions on fair value measurement of a security.

We agree with the IFRIC's tentative conclusion not to take this issue onto its agenda. Consistent with the staff's analysis in the observer notes for the September 2008 IFRIC meeting, we agree that under IAS 39 the market price of a security traded in an active market should not be adjusted for holder (entity) specific restrictions that would not transfer to another entity. This conclusion is also consistent with that of the U.S. Financial Accounting Standards Board (FASB), as expressed in paragraphs A28 and A29 of FASB Statement 157 *Fair Value Measurements*.

The IASB should be aware, however, that there is diversity in practice as it relates to the determination of whether certain restrictions are entity specific or an attribute of the security being measured and therefore reflected in fair value measurements. In practice, restrictions in initial public offerings that prohibit the holder to sell the security for a specified period are often determined to be an attribute of the security being measured rather than holder specific restrictions. We note that the FASB staff informally has expressed a similar view in response to questions about how to apply Statement 157. The diversity in practice also extends to the measurement of securities with a restriction attribute, when there is no observable market for these restricted securities and results from the lack of guidance as to the nature of the adjustments that should be considered in valuing restricted securities for which a hypothetical market transaction could not occur on the measurement date because of the restriction. Given the diversity in practice regarding what is considered a holder specific restriction and on the measurement of restrictions that are attributes of a security, we encourage the IASB to consider providing, jointly with the FASB, additional guidance on these issues in the IASB's fair value measurement project.

If you have any questions concerning our comments, please contact Ken Wild in London at +44 (0)20 7007 0907.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Ken Wild", written over a single horizontal line.

Ken Wild
Global IFRS Leader