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**International
Accounting Standards
Board**

This observer note is provided as a convenience to observers at IFRIC meetings, to assist them in following the IFRIC's discussion. Views expressed in this document are identified by the staff as a basis for the discussion at the IFRIC meeting. This document does not represent an official position of the IFRIC. Decisions of the IFRIC are determined only after extensive deliberation and due process. IFRIC positions are set out in Interpretations.

Note: The observer note is based on the staff paper prepared for the IFRIC. Paragraph numbers correspond to paragraph numbers used in the IFRIC paper. However, because the observer note is less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

IFRIC meeting: **November 2008, London**

Project: **Valuation of Restricted Securities (Agenda Paper 5A)**

Introduction

1. In September 2008, the IFRIC published a tentative agenda decision not to add to its agenda an issue to provide guidance on the valuation of securities traded in an active market when the securities cannot be sold for some period because of a restriction.
2. Two comment letters were received.
3. One comment letter agreed with the IFRIC's tentative agenda decision not to add the issue to its agenda. However, it emphasised the diversity that exists in practice on this issue because of various interpretations of whether the restriction is specific to the instrument or the holder. It also noted that the diversity in practice 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.

4. It urged the IASB to provide guidance on this issue as part of the fair value measurement project. The staff has forwarded the comment to that project team for their consideration.
5. The second comment letter stated that while implementation guidance from the Board would be helpful, the submission raised two wider aspects that require interpretive guidance from the IFRIC. The first issue is whether a security with a restriction should be viewed as one unit of account or two. The second issue relates to an apparent conflict between IAS 39 and IFRS 2 on similar questions.
6. The staff believes that the unit of account question is similar to the issue raised by the first comment letter and discussed in paragraph 3. The perceived conflict between IAS 39 and IFRS 2 should also be resolved by the fair value measurement project. Consequently, the staff will forward both these issues to that project team as well.

Staff recommendation

7. The staff recommends that the IFRIC finalise the agenda decision as published. The staff has set out the wording in Appendix A.

Question for the IFRIC

8. Does the IFRIC agree with the staff recommendation and the wording of the final agenda decision?

[Appendix A omitted from observer note]