30 Cannon Street, London EC4M 6XH, United Kingdom
Tel: +44 (0)20 7246 6410   Fax: +44 (0)20 7246 6411
E-mail: iasb@iasb.org   Website: www.iasb.org

International Accounting Standards Board

INFORMATION FOR OBSERVERS

Board Meeting:	**22 January 2009, London**
Project:	**Improving Disclosures about Financial Instruments (proposed amendments to IFRS 7)**
Subject:	**Cover note (Agenda paper 14)**

1. The comment period for the exposure draft of proposed amendments to IFRS 7 *Financial Instruments: Disclosures*, Improving Disclosures about Financial Instruments (ED) ended on 15 December 2008. The ED was published as part of the IASB's response to the credit crisis, and in response to staff discussions with some constituents following the first year of mandatory application of the Standard. The objective of the proposed amendments is to clarify and enhance disclosures about fair value measurements and the liquidity risk of financial instruments.

2. The ED was a response to requests for enhanced disclosures about fair value measurements, especially in the light of the present market conditions. For example, the report of the IASB Expert Advisory Panel *Measuring and disclosing the fair value of financial instruments in markets that are no longer active* highlighted the need for improved disclosures. Many suggested that the Board should consider disclosures similar to those included in Statement of Financial Accounting Standards No. 157 *Fair Value Measurements* issued by

the US Financial Accounting Standards Board (FASB). Those disclosures are based on a three-level hierarchy that prioritises the inputs to the valuation techniques that are used to measure fair value.

3. Following discussions the staff had with some constituents following the first year of mandatory application of IFRS 7, it became clear that some of the disclosure requirements about the nature and extent of liquidity risk arising from financial and some non-financial liabilities were unclear and difficult to apply and did not always result in useful information. The ED proposed changes to improve current liquidity disclosure requirements.

4. The IASB has received 88 comment letters to the ED, to date. An analysis of respondents by type of constituent and geographical region is included as Appendix One.

5. We continue to receive comment letters. Of the total received so far, 58 letters were received by the comment letter deadline. The staff analysis attempts to incorporate the substantive issues raised arising from all of the comment letters received both by and since the comment letter deadline.

6. Overall, most respondents support the Board's efforts to enhance existing disclosure requirements on fair value and liquidity risk. However, there is a wide spectrum of views on how these improvements can be achieved.

7. This series of papers present:
    a) An overview of comments received.
    b) An analysis of responses to each question in the ED.
    c) An analysis of the main issues raised by respondents.
    d) The staff's recommendations to addressing these issues.
    e) Questions to the Board.

8. The following papers form part of this series:
    a) Paper 14A provides an analysis of comments received on proposed fair value disclosures.

b) Paper 14B provides an analysis of comments received on proposed liquidity risk disclosures.

c) Paper 14C provides an analysis of comments received on the effective date and transition requirements of the proposed amendments.

9. These papers do not provide a quantitative review of responses or attribute comments to individual respondents. Moreover, these papers do not address drafting suggestions from respondents. Many respondents provided useful editorial and drafting suggestion with their comments. The staff will consider these suggestions in finalising any amendments.

10. The purpose of these papers is to seek the Board's decisions to finalise the proposed amendments.

11. If the Board agrees with the staff recommendations set out in this series of papers, the staff will prepare a pre-ballot draft of the finalised amendments.

[Appendix one is omitted from observer note].