



Project	Fair Value Measurement
Topic	Premiums and discounts in a fair value measurement

Purpose of this paper

1. This paper addresses premiums and discounts in a fair value measurement, including blockage factors and control premiums.
2. This paper asks the boards to:
 - (a) clarify the meaning of a 'blockage factor'
 - (b) determine whether a fair value measurement considers a blockage factor and other premiums or discounts.
3. This paper does not:
 - (a) analyse the appropriate unit of account for any asset or liability in other standards
 - (b) address the valuation of financial instruments, which is discussed in Agenda Paper 2D (IASB)/3D (FASB) .
4. Although this paper focuses mainly on financial instruments, the concepts and staff recommendation apply equally to other types of assets and liabilities, eg commodities.
5. The appendix to this paper contains the IASB's rationale for its preliminary view in the discussion paper *Fair Value Measurements* to prohibit the application of blockage factors at all levels of the fair value hierarchy.

This paper has been prepared by the technical staff of the FASB and the IASCF for discussion at a public meeting of the FASB or the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the FASB or the IASB.

Comments made in relation to the application of IFRSs or U.S. GAAP do not purport to be acceptable or unacceptable application of IFRSs or U.S. GAAP.

The tentative decisions made by the FASB or the IASB at public meetings are reported in FASB *Action Alert* or in IASB *Update*. Official pronouncements of the FASB or the IASB are published only after each board has completed its full due process, including appropriate public consultation and formal voting procedures.

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6. The boards have already had detailed technical discussions on this topic in developing the IASB's exposure draft *Fair Value Measurement* and FASB Statement of Financial Accounting Standards No. 157 *Fair Value Measurements* (SFAS 157).¹ As a result, this meeting will focus on analysing the differences between those two documents, the comments received on the IASB's proposals and feedback received about the implementation of SFAS 157/FASB Accounting Standards Codification Topic 820 (Fair Value Measurements and Disclosures). This paper does not replicate the analyses already discussed by the boards in developing the IASB's exposure draft and SFAS 157/Topic 820. Board members should contact the staff for the relevant background materials if needed.

Summary of differences between the IASB's exposure draft and Topic 820

IASB's exposure draft and IAS 39

7. The IASB's exposure draft proposes an amendment to IAS 39 *Financial Instruments: Recognition and Measurement* prohibiting the application of blockage factors (and other discounts and premiums) at any level of the fair value hierarchy. The proposed amendment to IAS 39 states:

An entity shall apply [draft] IFRS X to a holding of a financial instrument without adjusting the price per unit for the number of units held. For example, if there is a quoted price in an active market for a financial instrument, the fair value of the holding is the product of that price and the number of units held.

8. This is because the IASB concluded that:
- (a) the unit of account is the individual financial instrument at all levels of the fair value hierarchy
 - (b) market participants will enter into a transaction at the most advantageous price for the instrument. A decision to sell at a less

¹ FASB Accounting Standards Codification Topic 820 (Fair Value Measurements and Disclosures) codified SFAS 157.

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advantageous price because it sells an entire holding rather than each instrument individually is a factor specific to that entity.

9. The IASB's preliminary view in its discussion paper *Fair Value Measurements* also was to prohibit the application of blockage factors at all levels of the fair value hierarchy (but it did not refer to other discounts and premiums). The IASB's rationale is in the appendix to this paper.
10. Paragraph AG72 (in the section 'Active market: quoted price') of IAS 39 states:

The fair value of a portfolio of financial instruments is the product of the number of units of the instrument and its quoted market price.
11. Because this is in the section about active markets (and is not in the section 'No active market: valuation technique'), some constituents think that the prohibition on blockage factors applies only when there is a quoted price in an active market for a financial instrument. They think this is confirmed by the guidance in paragraph AG75 (in the section 'No active market: valuation technique'), which states:

The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.
12. They interpret paragraph AG75 to mean that if a transaction price would reflect a blockage discount (or a premium), the valuation technique should include it.
13. Others think that IAS 39's references to 'a financial asset' and 'a financial liability' mean that the unit of account is the individual instrument regardless of the level of market activity.
14. The IASB's rationale for precluding blockage factors (at least in an active market) is described in paragraph BC97 of the basis for conclusions to IAS 39:

...the Board confirmed that a quoted price is the appropriate measure of fair value for an instrument quoted in an active market, notably because (a) in an active market, the quoted price is the best evidence of fair value, given that fair value is defined in terms of a price agreed by a knowledgeable, willing buyer and a knowledgeable, willing seller; (b) it results in consistent

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measurement across entities; and (c) fair value as defined in [IAS 39] does not depend on entity-specific factors.

Topic 820

15. For instruments in Level 1 of the fair value hierarchy (ie a quoted price in an active market for an identical asset), paragraph 820-10-35-44 of Topic 820 states:

If the reporting entity holds a position in a single financial instrument (including a block) and the instrument is traded in an active market, the fair value of the position shall be measured within Level 1 as the product of the quoted price for the individual instrument times the quantity held. The quoted price shall not be adjusted because of the size of the position relative to trading volume (blockage factor). The use of a blockage factor is prohibited, even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

16. The basis for conclusions of SFAS 157 provided the following reasons for this decision:

- (a) using quoted prices increases comparability because:
 - i adjusting the price for the size of the position introduces management intent (to trade in blocks) into the measurement, reducing comparability
 - ii holding a relatively large amount of an asset might sometimes result in a premium over the market price for a single trading unit
- (b) the decision to exchange a large position in a single transaction at a price higher or lower than the price that would be available if the position were to be exchanged in multiple transactions (in smaller quantities) is a decision whose consequences should be reported when that decision is executed
- (c) for blocks held by broker-dealers, industry practice is often to sell the securities in multiple transactions involving quantities that might be

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large but that are not necessarily blocks. That is, the securities could be sold at the quoted price for an individual trading unit

(d) adjusting the price is subjective and reduces the reliability of the fair value measurement. The American Institute of Certified Public Accountants' Accounting Standards Executive Committee (AcSEC) blockage factor task force affirmed that discounts involving large blocks exist, generally increasing as the size of the block to be traded (expressed as a percentage of the daily trading volume) increases but that the methods for measuring the blockage factors (discounts) vary among entities and are largely subjective.

17. The FASB decided not to specify the unit of account for an instrument that trades in a market that is not active. As a result, blockage factors (and other discounts or premiums) are not prohibited for financial instruments in Level 2 and Level 3 of the fair value hierarchy.

Comparison of the US GAAP and IFRS requirements

18. The following table compares the requirement in Topic 820 with the current requirement in and the proposed amendments to IAS 39.

IAS 39		Topic 820
Current requirement	Proposal	
The fair value of a portfolio of financial instruments is the product of the number of units of the instrument and its quoted market price.	The fair value of a holding of financial instruments does not reflect an adjustment to the price per unit for the number of units held. If there is a quoted price in an active market for a financial instrument, the fair value of the holding is the product of that price and the number	The fair value of a large position in a single financial instrument in Level 1 of the fair value hierarchy is measured as the product of the quoted price for the individual instrument times the quantity held.

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IAS 39		Topic 820
Current requirement	Proposal	
	of units held.	
<i>Therefore...</i>		
P x Q at least in Level 1 (although there is diversity in practice) ²	P x Q in all levels	P x Q in Level 1

Overview of comments received on the IASB’s exposure draft

19. The invitation to comment for the IASB’s exposure draft did not ask a specific question about blockage factors. However, many respondents commented on this issue in their response to the question about convergence because blockage factors are included in the list of differences between the proposals in the exposure draft and the requirements in SFAS 157/Topic 820 (see paragraph BC110 of the basis for conclusions accompanying the exposure draft). This topic also was raised at some of the round-table meetings.

20. The majority of respondents do not support the IASB’s decision on blockage factors. These respondents provided several different perspectives on why they did not agree with a prohibition, including:
 - (a) views about the appropriate unit of account for financial instruments
 - (b) different interpretations about what the term ‘blockage factor’ means.

The comments received are discussed in detail below.

21. Some respondents agree with the proposal in the IASB’s exposure draft to prohibit blockage factors at all levels of the fair value hierarchy for the reasons provided by the IASB in the basis for conclusions (see paragraph 8 above). In particular, they agree that the unit of account is the same regardless of the level in the fair value hierarchy and that not including such factors improves comparability across entities. There are also concerns about the subjectivity of quantifying blockage factors.

² IAS 39 does not have the three-level hierarchy that is in Topic 820. The reference to Level 1 is the staff’s assessment of a mapping from the IAS 39 hierarchy to the Topic 820 hierarchy.

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22. However, some respondents who agree with the IASB that the unit of account is the same regardless of the level in the fair value hierarchy, and that blockage factors should be applied consistently at all levels, think that blockage factors should be *allowed* at all levels, including in Level 1.³ They think that the prohibition on blockage factors in any level of the fair value hierarchy is ‘a rule in an otherwise principles-based standard’. Some of these respondents do not agree that the unit of account for a financial instrument is the individual instrument, as specified in the proposed amendment to IAS 39. They think that the unit of account should be based on the holding size market participants would assume (although it is not clear whether they would assume a larger or smaller holding than their own in this case). For many, this is because they are concerned about the implications for portfolio valuation, which is not addressed in this paper and is addressed in Agenda Paper 2D (IASB)/3D (FASB).
23. Some respondents do not have a preference for which approach to use, as long as the FASB and the IASB reach the same conclusion. Many respondents noted that prohibiting blockage factors in Levels 2 and 3 could lead to a difference between US GAAP and IFRSs. In fact, some think the proposal in the IASB’s exposure draft leads to a GAAP difference that was not previously there because they think IAS 39 and SFAS 157/Topic 820 lead to the same result (ie blockage factors are prohibited only when there is a quoted price in an active market).
24. Some respondents prefer the approach in Topic 820 (which they think is consistent with the current requirement in IAS 39). That is, they agree that quoted prices in Level 1 of the fair value hierarchy should be used without adjustment. They think that quoted prices in active markets for identical assets and liabilities provide the most reliable and comparable evidence of fair value and should be used when available.
25. However, many respondents do not agree that adjustments should be prohibited in Levels 2 and 3, as proposed in the IASB’s exposure draft. They prefer the

³ Very few respondents to the IASB’s discussion paper *Fair Value Measurements* agreed with the IASB’s preliminary view to prohibit the application of blockage factors at all levels of the fair value hierarchy. Their reasons are the same as those articulated in the comment letters to the exposure draft and at the round-table meetings.

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approach in Topic 820 that allows adjustments for blockage and other factors in Levels 2 and 3, when such adjustments are appropriate (eg when the reporting entity has significant influence or control over an investment or subsidiary). Many round-table participants agreed with this view.

26. Some respondents think the requirement to use the quoted price times the number of shares held does not reflect the economic value of the holding because such discounts are real-world economic phenomena. They note that price quotations are based on a small lot size (which is usually bigger than an individual instrument). They assert that even in an active market, if the supply of shares increases (due to the sale of a block of shares) relative to the demand for the shares, the price would fall and the entity would likely realise a lower price.
27. Some respondents are concerned about the recognition of day 1 gains (followed by day 2 losses) due to the difference between the ‘accounting rules’ and the ‘economic reality of an actual transaction’. They think that because any given transaction price reflects the value of a specific holding of financial instruments (which could be a block), an entity could recognise a day 1 gain when there is a difference between the transaction price (including a blockage factor) and the fair value (excluding a blockage factor). Furthermore, they are concerned that when the holding is sold, the entity will realise a loss in the amount of the difference between the actual sale price (including a blockage factor) and the fair value at that date (excluding a blockage factor).
28. Some respondents think blockage factors should be prohibited only if the market is active enough to absorb the volume of the entity’s holding (ie when the blockage factor would be zero). These respondents think that if the normal level of market activity is not sufficient to absorb the entity’s holding of financial instruments, a blockage factor can be applied, rendering the measurement to a lower level in the fair value hierarchy.
29. Furthermore, many respondents are concerned that the proposed amendment to IAS 39 precludes the application of control premiums, discounts for lack of marketability and minority interest discounts (one respondent described this as a prohibition against ‘blanket blockage factors’). For example, respondents noted that measuring shares of a subsidiary in which the reporting entity has a

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controlling interest at the per share price multiplied by the quantity of shares held ($P \times Q$) misrepresents the value of the investment in that subsidiary.

30. Some respondents noted that block discounts are reflected in the valuation adjustments applied to portfolios in fair value measurements under IAS 39. For example, they think that blockage factors and liquidity adjustments that result from reduced price transparency in Levels 2 and 3 should be considered. These respondents stated that it would be impractical, if not impossible, to isolate and exclude these adjustments from valuation techniques.
31. If blockage factors are permitted in the final standard, some respondents ask for guidance on how to estimate those adjustments in order to improve consistency in application.

Staff analysis and recommendation

32. The comments received on the IASB's exposure draft and at the round-table meetings make it clear that because the term 'blockage factor' is not clearly defined, the term has different meanings to different people. Some interpret a blockage factor to apply only when an entity transacts in large blocks of the same financial instrument at one time. Others interpret a blockage factor to represent any discount or premium that would be applied in a fair value measurement (either as an adjustment to a quoted price or as an input into a valuation technique).
33. The remainder of this paper:
 - (a) describes the following premiums and discounts commonly applied in a valuation:
 - (i) blockage factors
 - (ii) lack of marketability discounts
 - (iii) control premiums (and other 'strategic premiums')
 - (iv) minority interest discounts (sometimes referred to as 'lack of control discounts')
 - (b) analyses the appropriateness of applying premiums and discounts:

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- (i) in Level 1 of the fair value hierarchy
 - (ii) in Levels 2 and 3 of the fair value hierarchy
- (c) summarises the staff's recommendations.

Premiums and discounts commonly applied in a valuation

Blockage factors

34. A blockage factor is an estimate of the reduction in the quoted price of a financial instrument (most commonly observed in transactions for an equity security) that would occur if a market participant were to sell a large holding of instruments at once. It represents a cost due to the lack of liquidity in the market for a large holding of financial instruments (generally due to a supply and demand imbalance).
35. Most people think of their investment as being the holding of financial instruments, not a collection of individual shares. As a result, very few agree with the boards' decisions to prohibit the application of blockage factors in all levels of the fair value hierarchy. That is, there seems to be disagreement about the appropriate unit of account. This paper does not address whether the unit of account in any particular standard is appropriate.
36. Whether an entity incurs a blockage factor is entity-specific. An entity may only incur a blockage effect when that entity decides to transact in a block; different entities might transact in different ways. In other words, a blockage factor is specific to the transaction, not specific to the instrument itself. The boards have stated that only the characteristics of an asset or liability should be considered in a fair value measurement. Blockage factors, like transaction costs, are specific to the entity and will differ depending on how an entity enters into a transaction for the asset or liability.

Lack of marketability discounts

37. A lack of marketability discount quantifies the inability to convert an asset into a predictable amount of cash quickly and at a reasonably low cost. It is different

from a blockage factor in that a lack of marketability discount applies for any size holding, including for an individual instrument.

38. All other things being equal, a readily marketable asset is more valuable than one that is not readily marketable. This is because investors prefer liquidity and will pay for it. Conversely, they will pay less for an investment that is not liquid.
39. A lack of marketability discount can affect the value of an individual share or a block of shares. Some empirical studies have shown that the magnitude of a lack of marketability discount decreases as the size of the holding increases.
40. A lack of marketability discount is relevant for any type of asset.

*Control premiums*⁴

41. A control premium is the additional price that any market participant buyer would have to pay (and the amount a market participant seller would expect to receive) for a controlling interest in another entity and typically exists when control is obtained, whether or not it is for 100 per cent of the acquiree. A control premium is relevant for any type of asset, but is most often discussed in the context of a business and that is the focus of this paper.⁵
42. Control gives the acquirer the ability to direct the use of the assets within the business. In the case of a strategic buyer, control allows the acquirer to (try to) realise the synergy potential to be gained from the combination of the two companies. In other words, the control premium is not a quantification of the expected synergies, but it is the price that must be paid for the opportunity to realise the synergies.
43. The size of the control premium is based on several factors, including the existence of non-operating assets or operational inefficiencies, the quality of management, and any potential business opportunities that are not currently being exploited. However, the observed premium paid to acquire a controlling

⁴ This section refers to control premiums, but is also applicable when an entity has significant influence over another entity. The premium in that case is referred to in this paper as a 'strategic premium'.

⁵ The price paid to obtain control over an asset theoretically has an implicit control premium. Conversely, as discussed in the next section, the price paid for a minority stake in an asset theoretically has an implicit minority interest discount.

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stake in an entity not only reflects the premium for control, but it also might include other factors. It is therefore difficult, if not impossible, to assess the 'true' premium paid for control.

44. Although control premiums and blockage factors result from holding large positions of financial instruments, a control premium is different from a blockage factor in the following ways:
- (a) a control premium is not related to liquidity. It is likely to be easier to sell a controlling interest in an entity than it would be to sell a minority interest because the control premium represents the value of having control over another entity, as opposed to being a passive investor in the same entity
 - (b) measuring the fair value of a block of financial instruments at the share price times the quantity held ($P \times Q$) promotes comparability across entities *that hold the same instrument*. For a controlling interest, this factor is not relevant because only one entity can hold the controlling interest
 - (c) a control premium is not related to an entity's intent to transact. It represents the value embedded in a group of shares when held together and is not a function of the transaction to sell the shares.

Minority interest discounts

45. A minority interest discount is the mirror image of a control premium. It reflects the fact that the minority shareholders do not have the same rights that the controlling shareholder has. For example, minority shareholders do not have the ability to:
- (a) appoint or change management
 - (b) appoint or change members of the board of directors
 - (c) set operational and strategic policy for the business
 - (d) make decisions to acquire or dispose of business assets.

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46. A minority interest discount is relevant for any type of asset, but is most often discussed in the context of an equity investment.

The appropriateness of applying premiums and discounts in a fair value measurement

47. Whether to apply a premium or discount in a fair value measurement depends on the following:
- (a) the unit of account: what is the objective of the measurement?
 - (b) the inputs used in the valuation: do they reflect the unit of account?

The unit of account

48. Each standard specifies the unit of account for each asset or liability recognised at fair value. For example:
- (a) for financial instruments, it is generally the individual instrument (although the instrument might be part of a portfolio; see Agenda Paper 2D (IASB)/3D (FASB))
 - (b) for impairment testing for non-financial assets, it is the reporting unit or cash-generating unit
 - (c) for investments in subsidiaries, it is the investment in the subsidiary
 - (d) for business combinations, it is the consideration transferred, the non-controlling interest in the acquiree, the previously held investment in the acquiree, etc.
49. IFRSs and US GAAP discuss the application of premiums and discounts in a fair value measurement in business combinations and impairment testing:
- (a) IFRS 3 *Business Combinations* and FASB Accounting Standards Codification Topic 805 (Business Combinations) acknowledge that per-share fair values might differ due to control premiums and minority interest discounts. These standards state that the fair value of the acquirer's interest in the acquiree might include a control premium and that the fair value of the non-controlling interest might include a minority interest discount

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- (b) FASB Accounting Standards Codification Topic 350 (Intangibles—Goodwill and Other) (in paragraph 350-20-35-23) acknowledges that a control premium might be relevant when measuring the fair value of a reporting unit for purposes of goodwill impairment testing. Topic 350 states:⁶

Substantial value may arise from the ability to take advantage of synergies and other benefits that flow from control over another entity. Consequently, measuring the fair value of a collection of assets and liabilities that operate together in a controlled entity is different from measuring the fair value of that entity's individual equity securities. An acquiring entity often is willing to pay more for equity securities that give it a controlling interest than an investor would pay for a number of equity securities representing less than a controlling interest. **That control premium may cause the fair value of a reporting unit to exceed its market capitalization. The quoted market price of an individual equity security, therefore, need not be the sole measurement basis of the fair value of a reporting unit.** [Emphasis added.]

50. This means that the issue of premiums and discounts related to the size of a holding is only an issue when the unit of account is an individual item (eg a financial instrument, a commodity, etc.).

The inputs used in the valuation

Level 1 of the fair value hierarchy

51. The boards have stated that when there is a quoted price in an active market for an identical asset or liability, the entity must use that price to measure fair value (subject to some circumstances, eg when significant events take place after the close of a market but before the measurement date). This is because these prices provide the most reliable evidence of fair value and should be used to measure fair value whenever available.

⁶ Topic 350 codified FASB Statement of Financial Accounting Standards No. 142 *Goodwill and Other Intangible Assets*.

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52. As a result, the boards have stated that Level 1 prices are to be used without adjustment (subject to some circumstances, eg when significant events take place after the close of a market but before the measurement date).
53. The staff thinks that this is appropriate because:
- (a) the decision to sell in a block is entity-specific
 - (b) a blockage factor is a characteristic of the transaction, not of the asset or liability.

Levels 2 and 3 of the fair value hierarchy

54. Topic 820 does not prohibit the application of premiums and discounts in Levels 2 and 3 of the hierarchy. However, it is not clear whether these are blockage factors as described above or other discounts and premiums.
55. Withink Level 2, presumably a true 'blockage factor' is only relevant for a quoted price in an inactive market for an identical asset or liability. It would not be relevant for other Level 2 inputs (ie quoted prices for similar assets or liabilities should not be affected by transactions in the subject asset or liability). It also would not be relevant for Level 3 inputs because there is no market price to depress.
56. For the reasons described in this paper, the staff thinks it is not appropriate to apply a blockage factor to Level 2 quoted prices for identical assets or liabilities in inactive markets for the same reasons that it is not appropriate in Level 1:
- (a) the decision to sell in a block is entity-specific
 - (b) a blockage factor is a characteristic of the transaction, not of the asset.
57. However, this would not preclude the application of other premiums and discounts within Levels 2 and 3, such as control premiums, lack of marketability discounts and minority interest discounts. This is because a fair value measurement considers premiums and discounts that market participants would consider in pricing an asset or liability at the unit of account specified in the appropriate standard.

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58. The following table summarises the staff’s analysis about when a premium or discount could apply in a fair value measurement (based on the staff’s recommendation below) for the assets listed in paragraph 48 in Levels 2 and 3 of the fair value hierarchy.

Unit of account	Blockage factor	Control premium	Lack of marketability discount	Minority interest discount
Individual financial instrument	✘	n/a	✓	✓
Reporting unit/cash-generating unit	✘	✓	✓	n/a
Investment in a subsidiary	✘	✓	✓	n/a
Business combinations	✘	✓	✓	✓ (non-controlling interest and previously held investments)

Staff recommendation

59. The staff recommends that the boards:
- (a) clarify what a ‘blockage factor’ is and describe how it is different from other types of adjustments, such as a lack of marketability discount, for an individual instrument
 - (b) clarify that a fair value measurement prohibits the application of a blockage factor at any level of the fair value hierarchy
 - (c) clarify that a fair value measurement in Levels 2 and 3 of the fair value hierarchy considers other premiums and discounts that market participants would consider in pricing an asset or liability at the unit of account specified in the relevant standard.

Question for the boards

Do you agree with the staff recommendations in paragraph 59?

If not, what do you propose and why?

Appendix – The IASB’s preliminary view on blockage factors in the discussion paper *Fair Value Measurements*

Issue 9. Large positions of a single financial instrument (blocks)

- 48 The IASB noted the following discussion in paragraph 27 of SFAS 157:
- If the reporting entity holds a position in a single financial instrument (including a block) and the instrument is traded in an active market, the fair value of the position shall be measured within Level 1 as the product of the quoted price for the individual instrument times the quantity held. The quoted price shall not be adjusted because of the size of the position relative to trading volume (blockage factor). The use of a blockage factor is prohibited, even if a market’s normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.
- 49 The IASB agrees in concept with the prohibition on the use of blockage factors in measuring fair value. The IASB noted that the guidance in SFAS 157 is similar to paragraphs AG71 and AG72 of IAS 39, which state that a published price quotation in an active market is the best estimate of fair value and that the fair value of a portfolio of financial instruments is the product of the number of units of the instrument held and its quoted market price. Further, as discussed in paragraph 31 above, the IASB also observes that guidance in paragraphs 48A, AG71 and AG75 of IAS 39 indicates that the objective when measuring fair value for all financial assets and liabilities is to establish what the transaction price would have been on the measurement date for an *individual* instrument. The Board observes that blockage factors are often meant to adjust for the illiquidity of a large position of individual financial instruments that might be held by the entity. However, the illiquidity of an individual instrument is not affected by the size of a position held by an entity. If a financial instrument is not traded in an active market and the illiquidity affects the price that a market participant would pay for an individual financial asset or require for an individual financial liability the fair value measurement should reflect that illiquidity. However, the adjustment should not consider the size of the position held by the entity. Therefore, the IASB concluded that a blockage factor adjustment should be prohibited at all levels of the hierarchy.