Federation of European Accountants
Fédération des Experts comptables Européens

21 April 2009

Sir David Tweedie
Chairman
IASB
30 Cannon Street
London EC4M 6XH
United Kingdom

E-mail: commentletters@iasb.org

Ref.: FRP/HvD/SS/ID

Dear Sir David,

Re: IASB Request for views on Proposed FASB Amendments on Fair Value Measurement and Proposed FASB Amendments to Impairment Requirements for Certain Investments in Debt and Equity Securities

(1) FEE (the Federation of European Accountants) is pleased to provide with input to the IASB Request for views on Proposed FASB Amendments to Impairment Requirements for Certain Investments in Debt and Equity Securities. We base our comments on the final FASB Staff Positions issued on 9 April: FSP FAS 115-2 and FAS 124-2 on Recognition and Presentation of Other-Than-Temporary Impairments, and FSP FAS 157-4 on Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. We provide our views as part of an overall view and input on the various consultations on accounting and financial reporting matters related to the financial crisis.

(2) We note that the final FASB Staff Positions have significantly changed compared to the proposals.

(3) The IASB and FASB announced on 24 March that they have agreed to issue proposals to replace their respective financial instruments standards with a common standard in a matter of months, not years. In its press release of 7 April the IASB indicated a period of 6 months. FEE strongly supports a comprehensive approach, rather than a piecemeal adaption of the financial instruments standards on an ad-hoc and rushed through basis. We again wish to emphasize the importance of respecting a sufficient due process with proper consultation of all stakeholders.

(4) FEE supports the principle of seeking convergence and developing common projects, provided that this leads to the highest quality accounting solutions. Convergence may start with a careful analysis and selection of the best and most recent thinking under IFRS, US or any other national GAAPs where relevant. The development of the best accounting standards should however not be limited to the existing standards. Where necessary and relevant, the process should include new solutions and new thinking and the willingness of all parties involved to enter into new domains resulting in improved high quality accounting standards. We suggest therefore that convergence, in order to be successful, needs to go beyond existing accounting standards. New high quality standards on major issues such as financial instruments or pensions, developed jointly by the best resources from national/ regional standard setters and the IASB, that are generally acceptable to all stakeholders will in themselves ensure a level playing field for all countries that have adopted IFRS. Convergence of IFRS towards an existing particular national standard is then no longer needed to achieve that aim.

(5) We also fully support the call by the G20 in their Leaders' Statement "on the accounting standard setters to work urgently with supervisors and regulators to improve standards on valuation and provisioning and achieve a single set of high-quality global accounting standards" and in the Declaration on Delivering Responses Through the International Financial Institutions" making significant progress towards a single set of high quality global accounting standards; and - within the framework of the independent accounting standard setting process improve involvement of stakeholders, including prudential regulators and emerging markets, through the IASB's constitutional review".

(6) We are strongly of the opinion that the IASCF/IASB should be accountable but independent of all vested interests. Standard setting has become of greater interest to public policy makers and regulators as a result of wider international adoption of IFRS and the financial and economic crises. The choices as to the most appropriate accounting treatments and methods should not be made on political grounds.

(7) We fully share the concerns expressed on insufficient guidance on fair value measurement in illiquid markets, despite the educational guidance of the IASB Expert Advisory Panel of October 2008, and on addition of impairment principles under IFRS since similar concerns were expressed by the EC following a European Roundtable discussion in October 2008 and subsequent Roundtables on the financial crisis organised by FASB and IASB.

Avenue d'Auderghem 22-28 • B-1040 Brussels • Tel: +32 (0)2 285 40 85 • Fax: +32 (0)2 231 11 12 • secretariat@fee.be • www.fee.be

FSP FAS 157-4 on Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly

(8) We welcome the final FASB Staff Position and support its contents. We believe that it brings guidance on fair value in inactive market which is globally on the same grounds as the guidance published by the IASB's Expert Advisory Panel in October 2008. Since both documents highlight the use of significant judgement in determining fair value in such markets and the underlying principles are the same, we do not expect significant divergence in practice on fair value measurement between US GAAP and IFRS. However, we would encourage the IASB staff to complete its own analysis of FSP 157-4, including gathering views of the Expert Advisory Panel, and if the conclusion of this analysis is that the FSP guidance is consistent with the existing Expert Advisory Panel guidance on fair value under IAS 39, to confirm that fact to IFRS constituents as soon as possible, as this will assist in pushing back calls for a level playing field in this area. Such a message could in first instance be communicated in the IASB minutes of the Board meeting or by updating the existing Expert Advisory Panel guidance so that the situation is clear for the 2009 interim financial statements. Notably the definition of a distressed sale could be usefully re-examined as it seems to be too restrictive.

(9) Subsequently the updated Expert Advisory Panel guidance could be included in the forthcoming IASB Exposure Draft on Fair Value Measurement, to give the guidance an authoritative status. Alternatively, such guidance might be developed by the Financial Crisis Advisory Group with the view to be used both by IFRS and US GAAP preparers.

FSP FAS 115-2 and FAS 124-2 on Recognition and Presentation of Other-Than-Temporary Impairments

(10) Impairment of available for sale (AFS) assets was already identified in the EC Stakeholders meeting of 21 October 2008 and subsequent IASB/FASB Roundtables on the financial crisis as an area for which accounting standards could be improved.

(11) Although the FSP solution of splitting the risks and related treatment through P&L or OCI may be relevant, we are not supportive of an adhoc piecemeal approach for amending IAS 39, given that, as indicated earlier the IASB and FASB have already announced a comprehensive project to replace their financial instruments standards within 6 months. We also wish to underline the risk of unintended consequences and overlooking of complexities given the substantial differences between both impairment models. Moreover it may bring additional costs for entities when they may have to adapt their systems twice within a relatively short period.

(12) Therefore we strongly propose that IASB and FASB examine the FSP impairment treatments within the comprehensive project on financial instruments thereby aiming at a single impairment model as far as the impact on the profit and loss account is concerned for all investments in debt instruments.

Avenue d'Auderghem 22-28 • B-1040 Brussels • Tel: +32 (0)2 285 40 85 • Fax: +32 (0)2 231 11 12 • secretariat@fee.be • www.fee.be

(13) We believe that this FSP should be treated differently from the FSP on Fair value given the fundamental differences in the impairment models under IFRS and US GAAP whereas for the FSP on fair value the underlying principles of both IAS 39 and US GAAP are very similar if not the same.

For further information on this letter, please contact Ms Saskia Slomp from the FEE Secretariat.

Yours sincerely,

Hans van Damme
President