



Organización Internacional de Comisiones de Valores
International Organisation of Securities Commissions
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Organizaç o Internacional das Comiss es de Valore

May 16, 2007

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International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
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RE: Discussion Paper: Fair Value Measurements

Dear IASB Members:

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting (Standing Committee No. 1) thanks you for the opportunity to provide our comments regarding the International Accounting Standards Board (IASB or the Board) Discussion Paper on Fair Value Measurements (the Discussion Paper).

IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of Standing Committee No. 1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect a general consensus among the members of Standing Committee No. 1 and are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions. In our comments below, we highlight some general observations as well as our views on some, but not all, of the questions raised in the Discussion Paper.

As further explained in our general observations below, we find it difficult to respond, and did not respond, to many of the questions raised in the Discussion Paper because we don't know the context in which "fair value", as contemplated in the Discussion Paper, would be applied under IFRSs.

General Observations

1. *Joint Project Considerations* – We understand that the deliberations involving Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157) were well underway prior to the publication of the Memorandum of Understanding (the MOU) and its related work program. However, we make the general observation that, in the future, it is essential for the IASB and the Financial Accounting Standards Board (FASB) to work jointly on projects that may carry such broad implications for convergence.

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We believe it is very important for the FASB and the IASB to agree on the definition and framework for fair value measurement, as we anticipate that the Boards may decide to select fair value measurement as a measurement attribute in future joint standard-setting efforts, and we believe the Boards must work with a common definition. However, we do not presuppose what that definition would be (for example, either Board's current definition or some variant thereof).

2. *Approach to Discussion Paper* – The approach set forth in the Discussion Paper uses SFAS 157 as the starting point, supplemented by the IASB's preliminary views on some of the provisions of SFAS 157. The Discussion Paper points out that the starting point for the IASB's deliberations is a result of the need for guidance on measuring fair value as well as the need for increased convergence with the FASB. We understand that the Board has not reached a preliminary view on all of the provisions of SFAS 157, as pointed out in paragraph 9. While the Discussion Paper explains in some instances the Board's preliminary views on aspects of SFAS 157, the Discussion Paper would have been more helpful had it provided a more detailed discussion as to the Board's consideration of the principles and concepts in SFAS 157.
3. *Fair Value Measurement under IFRS* – We find it difficult, and believe other commenters also may find it difficult, to respond to the questions in the Discussion Paper without knowing the context – that is, how a revised definition of fair value measurement, such as the definition in SFAS 157, would impact current IFRSs. We understand that the Board intends to consider, on a standard by standard basis, the places in which “fair value” measurement is currently used in IFRSs and whether any changes to that guidance or measurement basis will be required as a result of this project. It would have been helpful to us in responding to this Discussion Paper if the document had included a list of existing standards that use “fair value” measurement, divided between those for which the Board had intended for the measurement to be based on an exit price from the perspective of a market participant, and those for which the Board intended some other measurement. As such, to facilitate a full debate on the issue, we believe the Board should provide that analysis prior to the planned roundtable meeting.

We anticipate that the IASB will face some difficult decisions in its fair value measurement project in balancing the need for convergence with the current application of fair value under IFRS, to the extent that it differs from the provisions of SFAS 157. To achieve this balance, we expect that the Board will need to consider the extent to which fair value is applied under IFRS as compared to under U.S. accounting standards, as fair value measurement is more broadly applied under IFRS than under U.S. GAAP. Some examples are (1) the disclosure provisions in paragraph 36(c) of IAS 2 for inventories held at fair value less costs to sell, (2) the revaluation model for property, plant and equipment provided for in paragraphs 31-42 of IAS 16, (3) the revaluation model for intangible assets provided for in paragraphs 75-87 of IAS 38, (4) the fair value model for investment property provided for in paragraphs 33-35 of IAS 40 and (5) the use of fair value for measuring biological assets and the agricultural produce provided for in paragraphs 12-13 of IAS 41. When the Board proceeds to issue an exposure draft and if that exposure draft proposes to converge with SFAS 157, it would be helpful for that document to provide a substantive comparison, from the Board's perspective, of how fair value is currently described and applied under IFRS and how the Board envisions fair value measurement to be described and applied under IFRS using SFAS 157's definition and framework for fair value.

4. *Participation in a future roundtable meeting* – The Discussion Paper (paragraph 3) indicates the Board's plans to hold roundtable meetings on this discussion paper. Standing Committee No. 1 would be interested in participating in a roundtable meeting on this paper.

Specific Comments

Question 1 – Single Source of Guidance on Fair Value Measurements

In your view, would a single source of guidance for all fair value measurements in IFRSs both reduce complexity and improve consistency in measuring fair value? Why or why not?

We are supportive of the IASB's view that a single source of fair value measurement guidance is needed to provide consistency and reduce complexity in the measurement of fair value. However, the ultimate impact will be dependent on how often fair value measurement, as defined in the single source of guidance, would be used, as opposed to a value required by current IFRS which is intended to represent something different than fair value. For example, in order to determine whether the guidance on fair value measurement will reduce complexity in financial reporting, one would need to consider whether the current application of fair value as required by IFRSs is consistent with the proposed definition and intended measurement required by each particular standard. In addition, to reduce complexity, definition of terms such as "fair value" should be consistent in the single source of guidance on fair value measurement and in the Conceptual Framework. (See additional discussion in response to Question 5 below.)

Question 4 – Entry Price versus Exit Price Measurement Objective

Do you believe an entry price also reflects current market-based expectations of flows of economic benefit into or out of the entity? Why or why not? Additionally, do you agree with the view that, excluding transaction costs, entry and exit prices will differ only when they occur in different markets? Please provide a basis for your views.

We understand that there are questions in practice about whether, and when, an entry price and an exit price for an asset or a liability differ, either when the entry and exit occur in the same market or in different markets. We also understand that some believe this issue is related to the determination of a bid-ask spread, particularly in situations in which a fair value measurement is a Level 2 or Level 3 measurement as described in SFAS 157. We encourage the Board to carefully study this issue to provide clear guidance. In particular, given the Board's decision to use SFAS 157 as the starting point in its deliberation, it would be useful to understand how the Board evaluates the FASB's guidance, provided in paragraphs 16 and 17 of SFAS 157, as to how transaction price, exclusive of transaction costs, might not represent fair value (exit price) at initial recognition.

Question 5 – Fair Value Terminology

Would it be advisable to eliminate the term 'fair value' and replace it with terms, such as 'current exit price' or 'current entry price', that more closely reflect the measurement objective for each situation? Please provide a basis for your views.

We believe this question must be answered in conjunction with the work on measurement as part of the FASB and IASB's joint project to improve the Conceptual Framework (or Framework). If the "measurement toolbox" that we understand is currently envisioned to be included in the Framework uses terms such as "current exit price" or "current entry price" to describe possible measurement bases, it would be best for individual standards to also use those terms, or other terms, as applicable. If "fair value" will be a term used in the Framework to describe a possible measurement basis, we believe that term must be defined and agreed upon by both Boards.

Question 8 – Market Participant View

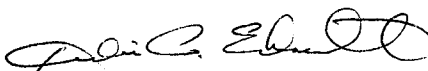
Do you agree that the market participant view in SFAS 157 is consistent with the concepts of 'knowledgeable, willing parties' and 'arm's length transaction' as defined in IFRSs? If not, how do you believe they differ?

We agree with the IASB's preliminary view, as described in paragraph 21 of the Discussion Paper, that the market participant view in SFAS 157 is generally consistent with the concepts of a knowledgeable, willing party in an arm's length transaction, but that SFAS 157 more clearly articulates, as compared to current IFRS, the market-based fair value measurement objective. In particular, we believe the market participant view in SFAS 157 more clearly conveys the idea that the transaction between market participants is to be viewed as a hypothetical transaction, and that it is not necessary to identify specific market participants in determining a fair value measurement.

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We appreciate your thoughtful consideration of the comments raised in this letter. If you have any questions or need additional information on the recommendations and comments that we have provided, please do not hesitate to contact me at 202-551-5300.

Sincerely,



Julie A. Erhardt
Chairman

IOSCO Standing Committee No. 1