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Organización Internacional de Comisiones de Valores
International Organisation of Securities Commissions
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September 7, 2010

Exposure Draft: Measurement Uncertainty Analysis Disclosure for Fair Value Measurements
(Limited re-exposure of proposed disclosure)
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

RE: ED: Measurement Uncertainty Analysis Disclosure for Fair Value Measurements
(Limited re-exposure of proposed disclosure)

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) Exposure Draft on Measurement Uncertainty Analysis Disclosure for Fair Value Measurements *(Limited re-exposure of proposed disclosure)* (the ED or the Exposure Draft).

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.

Our comments in this letter are specific to the re-exposed disclosure requirement. We had previously provided comments on the broader May 2009 exposure draft on Fair Value Measurement (the "ED/2009/5") in our letter dated October 28, 2009.

Correlation between unobservable inputs

Question #1: *Are there circumstances in which taking into account the effect of the correlation between unobservable inputs (a) would not be operational (eg for cost-benefit reasons) or (b) would not be appropriate? If so, please describe those circumstances.*

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We agree that measurement uncertainty analysis should take into account the effect of the correlation between unobservable inputs. We believe the resultant disclosure would provide users with a more realistic portrayal of the potential differences in fair value arising from the use of different amounts of unobservable inputs. Unobservable inputs, while individually unique, may be influenced by a common set of economic, market, and other variables, and the selection of a different amount implies a change to that basket of underlying factors. By incorporating the effect of the correlation between unobservable inputs, the preparer can better reflect, and the user can appreciate, the holistic impact of changing one or more unobservable inputs to a different amount on fair value.

We note the Board's requirement that an entity exclude from its measurement uncertainty analysis those unobservable inputs associated with remote (e.g., best- and worst-case) scenarios. Given the objective of the measurement uncertainty analysis, the decision seems reasonable as a wide range of fair values, the by-product of a best- and worst-case scenario analysis, would likely provide users with interesting but not necessarily decision-useful information.

We believe the Board should expand upon its rationale for two important decisions relating to this ED: the evaluation of costs and benefits related to the measurement uncertainty analysis; and the exclusion of Level 2 fair value measurements from the proposed analysis.

Costs and Benefits

On the cost-benefit evaluation, the ED includes some discussion of this matter in paragraphs BC25 through BC29. However, we encourage the Board to elaborate further on its reasoning that the benefits to users outweigh the costs to preparers, particularly as it relates to the following: specifically, how users will benefit from the proposed disclosures; and whether the Board considered requiring an entity to disclose or incorporate the probability of occurrence associated with the alternative fair value measurements in its measurement uncertainty analysis.

We believe the additional insight could help preparers overcome objections similar to those expressed against the FASB's proposed Accounting Standards Update 1710-100, *Improving Disclosures about Fair Value Measurements* (the "Proposed ASU 1710-100"), issued in August 2009. Our understanding is that preparers were particularly concerned with the additional costs and the operational difficulties of complying with the FASB's then-proposed requirements.

Exclusion of Level 2 Fair Value Measurements

We note the Board is only proposing a measurement uncertainty analysis for Level 3 fair value measurements. We understand that the ED has been issued to be responsive to users' desire for information that would enable them to assess the subjectivity of an entity's fair value measurements. When the fair value of an asset or liability is based on an adjusted observable input that is significant to its measurement, judgment is involved to categorize it as a Level 2 or Level 3 fair value measurement. Given the subjectivity involved in arriving at such a conclusion, we believe users would benefit from a discussion of the Board's perspective to exclude Level 2 fair value measurements from the measurement uncertainty analysis.

Question #2: *If the effect of correlation between unobservable inputs were not required, would the measurement uncertainty analysis provide meaningful information? Why or why not?*

We believe an uncorrelated measurement uncertainty analysis could provide users with meaningful information if it is complemented by adequate disclosure, such as the considerations outlined in paragraphs 2(b) and IE5 of the ED. Without any additional disclosure, the measurement uncertainty analysis would, in essence, be identical to those previously included in ED/2009/5 and the Proposed ASU 1710-100 (collectively, the "Former Proposals").

Comment letters to both the FASB and the Board on the Former Proposals expressed concern that a measurement uncertainty analysis that did not take into account the effects of correlation on inputs would not yield decision-useful information. We share their concern. As alluded to earlier, an uncorrelated measurement uncertainty analysis fails to recognize the impact of a change in one unobservable input on another unobservable input(s) and ultimately their cumulative effect on the fair value measure.

Alternatives to measurement uncertainty analysis

Question #3: *Are there alternative disclosures that you believe might provide users of financial statements with information about the measurement uncertainty inherent in fair value measurements categorised within Level 3 of the fair value hierarchy that the Board should consider instead? If so, please provide a description of those disclosures and the reasons why you think that information would be more useful and more cost-beneficial.*

If the Board determines the effect of correlation between unobservable inputs is not required, we believe a reasonable alternative would be the disclosure of an uncorrelated measurement uncertainty analysis and the following information:

For each asset or liability category presented on the measurement uncertainty analysis:

- Identification of the significant unobservable inputs (and their corresponding amounts) that the entity relied upon to determine fair value.
- For those correlated, significant unobservable inputs, a description of the nature and extent of the correlation, as well as the directional impact of the correlation on fair value.

General:

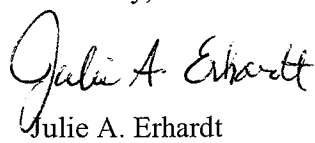
- Management's view of the range of uncertainty in the unobservable inputs (e.g., a ranking of instruments based on which would be expected to show the greatest difference in fair value from using different unobservable inputs that could have reasonably been used).
- Reiterate that the effects of correlation between unobservable inputs are not reflected in the entity's measurement uncertainty analysis, but users should incorporate them in their analysis.

A second alternative is to require an entity to prepare a single, comprehensive sensitivity analysis (i.e., one that incorporates market risks and correlated measurement uncertainty analysis – effectively, incorporating the IFRS 7 disclosures into this ED). An all encompassing sensitivity analysis could possibly provide useful information with respect to the uncertainty associated with Level 3 fair value measurements.

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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