

5 November 2010

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH
United Kingdom

Dear Sir / Madam

Re: *IASB staff draft IFRS Fair Value Measurement*

On behalf of the European Financial Reporting Advisory Group (EFRAG), I am writing to comment on the *IASB staff draft IFRS Fair Value Measurement* ('the draft IFRS'). This letter is intended to contribute to the IASB's due process and does not necessarily indicate the conclusions that would be reached by EFRAG in its capacity as advisor to the European Commission on endorsement of the definitive IFRS in the European Union and European Economic Area.

Background

The IASB published the Exposure Draft *Fair Value Measurement* in May 2009, which proposed comprehensive guidance on how to measure the fair value of both financial and non-financial assets and liabilities. EFRAG responded to the IASB supporting its efforts to provide such guidance while raising a number of concerns relating to the proposals.¹

On 19 August 2010, the IASB issued a press release containing a staff draft of the forthcoming IFRS on fair value measurement. The IASB referred to the FASB fair value consultation document that was open for comment, and urged its constituents to comment to the FASB if they have any significant concerns relating to the staff draft of the IFRS.

IASB staff draft IFRS Fair Value Measurement

We understand that publication of the staff draft is intended as no more than a fatal flaw review. Therefore, this letter is not intended to repeat the comments included in our letter commenting on the Exposure Draft¹.

However, prior to the IASB finalising its standard on Fair Value Measurement, we believe it is useful to reiterate two comments we made in our letter dated 16 October 2009. One comment has to do with due process, the other supports consistency and clarity of wording in IFRS standards.

- (a) No IFRS requirement should be changed without proper due process

We understand the IASB has carried out a review of each reference in existing IFRS to 'fair value' to consider whether those references are references to fair value

¹ Please refer to our letter submitted on 16 October 2009.

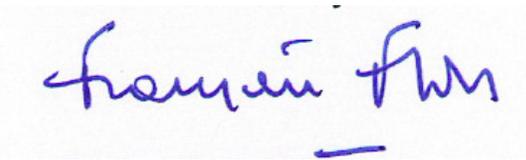
as described in the draft IFRS. We understand that work highlighted that in some cases existing practice has been to interpret the fair value requirement rather differently from the proposed description in the draft IFRS. Nevertheless, the draft IFRS proposes that almost all the existing references in IFRS to fair value should be treated as references to fair value as described. We believe it is important that the IASB should subject the results of that review, together with the accompanying reasoning, to public consultation and debate. Until such due process is completed, we suggest that the IASB include a scope exemption for all items other than financial instruments.²

- (b) “Fair value” throughout IFRS should be applied as defined in the *Fair Value Measurement* standard

We believe that fair value as a notion should be defined and consistently applied. Therefore, where the proposals are not appropriate the measurement basis should be something other than fair value.

If you wish to discuss our comments further, please do not hesitate to contact Marius van Reenen or me.

Yours sincerely



Françoise Flores
EFRAG, Chairman

² Upon completion of the due process the IASB could remove the scope exemptions and re-label the term “fair value” in those standards where it is not in accordance with the fair value IFRS. Please refer to our comment (b) above.