ACCA

Fernando Restoy
CESR Fin
Committee of European Securities Regulators
11-13 Avenue de Friedland
75008 Paris

11 September 2008

Dear Mr Restoy

Fair value measurement in illiquid markets

The Association of Chartered Certified Accountants (ACCA) is pleased to have this opportunity to respond to the paper 'Fair value measurement and related disclosures of financial instruments in illiquid markets' from the Committee of European Securities Regulators (CESR). The consultation paper was considered by ACCA's Financial Reporting Committee and by our Financial Services Network. I am writing to give you their views.

ACCA is the largest and fastest-growing global professional accountancy body with 325,000 students and 122,000 members in 170 countries. We aim to offer first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accounting, finance and management. ACCA works to achieve and promote the highest professional, ethical and governance standards and advance the public interest.

ACCA has significant concerns over the issuance of the proposed guidance by CESR. We agree that the current credit crisis has raised substantial concerns over the issues of using fair values when markets may have become illiquid or non-functioning. However accounting rules and disclosures in European capital markets are set by the IASB and by their official interpretations committee (IFRIC). The proposed guidance from CESR would we consider amount to an interpretation of the standards involved – especially IAS39 and IFRS7 – from an authoritative regulatory source (such as CESR's member bodies). Such additional interpretative guidance risks

- Providing a further layer of regulation for preparers of financial statements
- Creating uncertainty for preparers, auditors and users as to the requirements that must be met
- Moving away from IFRS as a single global set of standards and creating a European version of IFRS

In our view CESR should be submitting its views as issues that IASB or IFRIC should be addressing in meeting the request from the Financial Stability Forum, as input to that process and encouraging a timely response from IASB to the implications of financial market turmoil.

In terms of the content of the consultation paper we have no major issue with the comments that CESR have made in terms of the first two sections on the definition of liquid markets and the valuation techniques in the absence of such markets.

We are more concerned with the section dealing with disclosures. CESR here seem to be requiring new and greater levels of disclosure about financial instruments. We note especially the effect of paragraph 53 and Box 1 seems to be adding the disclosure at a more detailed level of the basis of fair values and in taking disclosures down to sub-classes of financial instruments. In general we consider that the users of accounts need better disclosure but not necessarily more. The area of financial instruments already generates more disclosure than any other. CESR's proposals would cover all listed companies. Any significant further disclosures of illiquid financial instruments are most likely to be helpful not so much to investors, but to banking and insurance supervisors.

If there are any matters arising from the above please get back to me.

Yours sincerely

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