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Subject: Response of the Dutch banks on the draft statement on
Fair value measurement and related disclosures of
financial instruments in illiquid markets

E mail lelieveldt@nvb.nl

Dear Madam, Sir,

The NVB appreciates the opportunity given by CESR to comment on the draft statement. We agree with CESR that current market conditions have once again shown the importance of correct fair value measurement. However, the NVB has some questions with regard to statement.

In general the NVB questions the process by which the statement has been drafted. First of all, we understand that CESR has been put under pressure by the Ecofin to produce results. This results in, however, the fact that the statement was drafted in a very short period of time (during the summer) which does not agree with a complex subject like fair value measurement. It would be better if CESR states that the statement forms a part of a larger project considering the use of fair value measurement.

Second, because of the short timelines, no attention has been given to reports like the FSF and IIF. It must be prevented that different institutions provide different guidance, which entails that banks must continuously adjust there disclosure policy. This will not lead to more and better comparable disclosures.

Regarding question 1, it must be made clear that banks themselves decide whether a market is active or in-active. It must only disclose the reasons by which it has come to the decision.

Furthermore, in the statement, CESR provides an example of information issuers should (not could) considers disclosing. It is not for CESR to provide interpretation of how IFRS should be applied. As CESR states: 'CESR acknowledges that the competence of setting, formally interpreting standards and issuing general interpretation of existing standards lies with the IASB/IFRIC'. This contradicts paragraph 51 and Box 1. In box 1 CESR interprets IFRS 7.27 in a certain way by which more (quantative) disclosures are required.


In light of the above mentioned, the NVB opposes this extension of disclosure requirements and is of the opinion that Box 1 is merely a example which leaves the institutions free to decided where or not to apply this way of disclosing. No consequences can come from not applying the example.

One step further according to the NVB the example of Box 1 will only make disclosures more difficult. Most institutions use the three levels of US GAAP. Box 1 introduces a new fourth and unnecessary level. This also does not correspond with the three levels mentioned in Box 2.

Our answer to questions 3 and 4 are therefore that we do not agree with CESR's view regarding disclosures of financial instruments and we would like to see more correspondence between Box 1 and Box 2, with a preference to Box 2. It seems that Box 1 follows IFRS 7 and Box 2 US GAAP.

Our last comment concerns the fact that certain paragraphs are to strictly and theoretically drafted. Examples are paragraphs 28, 32, 44 and 50. These paragraphs need more explanation.

With kind regards,



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