

September 11, 2008

The Committee of European Securities Regulators
11-13 avenue de Friedland
75008 Paris - France

BY EMAIL TO: www.cesr.eu

Re: CESR/08-437 – DRAFT CESR statement: *Fair value measurement and related disclosures of financial instruments in illiquid markets*

Dear Committee Members:

On behalf of the Dealer Accounting Committee of the Securities Industry and Financial Markets Association (“SIFMA”)¹ we wish to provide you with our comments on the DRAFT CESR statement: *Fair value measurement and related disclosures of financial instruments in illiquid markets* (“the Draft”).

SIFMA’s Dealer Accounting Committee (“the Committee”) addresses accounting issues that impact major dealers operating across the full spectrum of the global capital markets, and is composed of controllers and accounting policy officers of 9 large, internationally active investment and commercial banks.² Two members of the Committee are currently utilizing International Financial Reporting Standards (“IFRS”) for their financial reports, while the others anticipate doing so in the future, particularly in light of the decision by the United States Securities and Exchange Commission (“SEC”) to publish for public comment a proposed “Roadmap” that could lead to the use of IFRS by U.S. issuers in lieu of U.S. Generally Accepted Accounting Principles (“U.S. GAAP”).³ Consequently, all of the members of the Committee have an interest concerning IFRS and how those standards are implemented.

The members of the Committee are all represented on a variety of other associations and professional accounting bodies that will be commenting in detail on the Draft, and are actively participating in the writing of their respective comment letters. We are confident that those letters will appropriately address a variety of issues that arise in the Draft. However, we would like to address a number of overarching issues that are presented by the Draft from the perspective of major dealers in the capital markets.

¹ SIFMA brings together the shared interests of more than 650 securities firms, banks and asset managers. SIFMA’s mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services that create efficiencies for member firms, and to preserve and enhance the public’s trust and confidence in the market and the industry, both locally and globally. SIFMA has offices in New York, Washington, D.C., and London, and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong.

² The members of the Committee are: Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, JP Morgan, Lehman Brothers, Merrill Lynch, Morgan Stanley, and UBS.

³ See SEC press release, *SEC Proposes Roadmap Toward Global Accounting Standards to Help Investors Compare Financial Information More Easily*, August 27, 2008.

Duplication of Effort

The April 2008 report of the Financial Stability Forum (“FSF”) specifically noted that the International Accounting Standards Board (“IASB”) would be creating an Expert Advisory Panel (“Advisory Panel”) to develop guidance on the valuation of financial instruments in illiquid markets.⁴ We are pleased to note that this group has been making substantial progress and is rapidly moving to complete its assignment. As the Advisory Panel is composed of experts from a variety of backgrounds, including regulators and supervisors, and is addressing the identical issues highlighted in the CESR draft, we suggest that CESR consider whether it might be best to defer finalizing the current Draft and instead adopt the final product of the Advisory Panel. At a minimum, the Committee strongly suggests that CESR coordinate its efforts with the Advisory Panel to the maximum degree possible.

Regulatory Comity

In light of the increasing integration of the global capital markets, the establishment of a single set of high quality accounting standards is a vital need. The logic behind the global effort to converge upon such a set of accounting standards would be fatally impaired if in practice there are substantial regional variations in the application of those standards. While the Committee understands that national securities regulators have responsibilities specific to their respective jurisdictions, the danger exists that, even with the best of intentions, what should be a uniform set of accounting standards develops into a patchwork quilt of differing requirements. Such an outcome, of course, would vitiate the central idea behind the establishment of IFRS.

We strongly urge that CESR, the SEC, and their counterparts in other jurisdictions coordinate their efforts on implementation issues. In this connection, we note CESR’s publication in 2003 of *Enforcement of Standards on Financial Information in Europe*. In the interest of coordinating issues between CESR and non-CESR members, the document discusses the creation of an appropriate mechanism to facilitate such coordination.⁵ The International Organization of Securities Commissioners (“IOSCO”) would seem an appropriate vehicle for an effort aimed at facilitating regulatory harmonization and the prevention of inconsistent and conflicting accounting guidance/standards from arising in different jurisdictions. We think that proceeding under the goal of regulatory comity, cooperation among securities regulators will greatly reduce this problem.

Single Standard Setter

Last year, the SEC created an Advisory Committee on Improvements to Financial Reporting (“CIFR”) with the charge to develop recommendations regarding how financial reporting in the U.S. might be improved. CIFR’s final report⁶ contained a recommendation

⁴ Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience, p.27, April 7, 2008.

⁵ *Enforcement of Standards on Financial Information in Europe*, p. 2, March 2003.

⁶ Final Report of the Advisory Committee on Improvements to Financial Reporting, August 1, 2008.

that “We believe that there should be a single standards-setter for all authoritative accounting standards and interpretative implementation guidance of general significance.”⁷ We strongly urge that CESR and the IASB parallel that recommendation so as to minimize the problem of differing standards within the European Union.

Such a cooperative approach must, of course, be emulated by the bodies charged with establishing accounting standards. In that connection, the Committee believes that the U.S. Financial Accounting Standards Board (“FASB”) and the IASB have demonstrated solid progress in the last several years. We strongly encourage them to maintain and further develop their collaborative efforts.

Possible Conflict with Previous CESR Positions

The CESR document referenced earlier, *Enforcement of Standards on Financial Information in Europe*, contains a discussion on regulatory coordination. Principle 20 of the document states in part that: “No general application guidance on IRFSs [sic.] will be issued by the enforcers.” It appears to us that the proposed CESR draft is inconsistent with that document, and respectfully request CESR to consider whether the Draft should be amended to ensure it is consistent with the earlier statement.

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We appreciate the opportunity to comment on the CESR Draft. Should there be any question about our comments or an interest in further amplification of our views, please do not hesitate to contact us.

Sincerely,



Matt Schroeder
Chairman
SIFMA’s Dealer Accounting Committee

cc: Julie Erhardt, SEC Deputy Chief Accountant, International

⁷ *Supra*; III.B. Enhancing the Accounting Standards-Setting Process, p.6.