



## COMMITTEE OF EUROPEAN SECURITIES REGULATORS

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Date: 20 April 2009  
Ref.: CESR/09-373

**RE: CESR's response to EFRAGs consultation regarding IASB's Request for Views on Proposed FASB amendments on Fair Value Measurement and Proposed FASB Amendments to Impairment Requirements for Certain Investments in Debt and Equity Securities**

The Committee of European Securities Regulators (CESR) has, through its standing committee on financial reporting (CESR-Fin), considered EFRAG's draft letter on IASB's Request for Views on the Proposed FASB amendments on Fair Value Measurement and Proposed FASB Amendments to Impairment Requirements for Certain Investments in Debt and Equity Securities.

We thank you for this opportunity to comment on your draft letter and are pleased to provide you with the following comments:

- In general, CESR is supportive of the comments made by EFRAG on the Request for Views regarding the FASB documents. CESR in general supports the convergence efforts between IFRS and US GAAP and CESR therefore welcomes the final documents from FASB that compared to the consultation documents results in less divergence between IFRS and US GAAP in the two areas concerned.
- CESR agrees with EFRAG that these initiatives taken by the FASB do not appear to be consistent with previous joint announcements by IASB and FASB (Press release dated 24 March 2009) which have emphasised the importance of working cooperatively and in an internationally coordinated manner to consider accounting issues emerging from the financial crisis.
- CESR has on a number of occasions stated that it believes, and does still firmly believe, in arriving at solutions which aim at achieving global high quality accounting standards (developed after a robust due process) that establish a good basis for consistent application and enforcement.
- CESR is therefore of the view that it would be better or ideal for the IASB to wait for a comprehensive and joint solution on financial instruments than aiming at issuing piecemeal guidance on various areas of fair value accounting for financial instruments. However this revised standard needs to be issued expeditiously so that it is available for 2009 year end financial statements; as a matter of fact, FASB FSPs are effective for all interim and annual periods ending after 15 June 2009 with early adoption permitted for periods ending 15 March 2009.



- Concerning the issue of Fair value measurement according to the FASB FSP, IASB should assess its merits against the Expert Advisory Panel Report published in October 2008 and include the appropriate guidance into IAS 39.
- Concerning the comments on the FASB OTTI FSP issue (which is mentioned in part (b) of the draft EFRAG comment letter), CESR would like to suggest the following wording:
  - (b) we believe that in order to improve significantly the impairment loss recognition requirements for financial instruments under IFRS, a comprehensive model of impairment loss recognition for all financial instruments is required. In the meantime, we are of the view that the thrust of the FSP approach to impairment of Available for Sale debt securities should be incorporated expeditiously into IAS 39, with appropriately robust disclosure requirements being included in IAS 1 and IFRS 7. Such disclosure requirements should include two specific aspects that are included in the FSP, namely (1) there should be clear presentation of total impairment, and the split between “credit” impairment and the remainder; and, (2) entities should be required to disclose the methodology and key inputs used to measure the portion of the total impairment that relates to credit losses.

As far as equity Available for Sale equity instruments are concerned, the key question is whether the prohibition of reversals is appropriate. CESR does not think that this is the case.

I should be happy to discuss all or any of these issues further with you.

Yours sincerely,

Fernando Restoy  
Chair of CESR-Fin