



International Accounting Standards Board®

Press Release

31 October 2008

IASB publishes educational guidance on the application of fair value measurement when markets become inactive

The International Accounting Standards Board (IASB) today published educational guidance on the application of fair value measurement when markets become inactive. The educational guidance takes the form of a summary document prepared by IASB staff and the final report of the expert advisory panel established to consider the issue.

The summary document sets out the context of the expert advisory panel report and highlights important issues associated with measuring the fair value of financial instruments when markets become inactive. It takes into consideration and is consistent with recent documents issued by the US Financial Accounting Standards Board (FASB) on 10 October and by the Office of the Chief Accountant of the US Securities and Exchange Commission (SEC) and FASB staff on 30 September.

The report of the expert advisory panel is a summary of the seven meetings of experts who are users, preparers and auditors of financial statements, as well as regulators and others. In the report, the panel identifies practices that experts use for measuring the fair value of financial instruments when markets become inactive and practices for fair value disclosures in such situations. The report provides useful information and educational guidance about the processes used and judgements made when measuring and disclosing fair value.

The IASB has also used the work of the panel to address the issues of disclosure, an area identified by the Financial Stability Forum (FSF) along with fair value measurement and off balance sheet accounting. The feedback from the panel was incorporated in the preparation of the exposure draft proposing improvements to IFRS 7 *Financial Instruments: Disclosures* published on 15 October and will be used in the development of the forthcoming standard on fair value measurement. The IASB expects to publish an exposure draft of that standard in 2009.

Commenting on the publication of the report, Sir David Tweedie, Chairman of the IASB, said:

The expert advisory panel has provided useful input to a number of projects and we are moving quickly to incorporate their valuable contributions into our standards. Round-table discussions in Asia, Europe and the United States, to be held jointly with the FASB, will provide additional opportunities to gather views on where further enhancements may be required. Added to this, the joint IASB - FASB high level advisory group now being set up will provide advice to both boards on the reporting lessons from the credit crisis.

The educational guidance can be downloaded from the IASB Website on www.iasb.org/expert-advisory-panel from today. A comprehensive summary of the IASB response to the credit crisis is available via www.iasb.org/credit+crisis.

END

For press enquiries:

Mark Byatt, Director of Corporate Communications,
Telephone: +44 (0)20 7246 6472; email: mbyatt@iasb.org

Sonja Horn, Communications Adviser,
Telephone: +44 (0)20 7246 6463; email: shorn@iasb.org

Notes to the Editors

About the IASB

The IASB was established in 2001 and is the standard-setting body of the International Accounting Standards Committee (IASC) Foundation, an independent private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. Its 14 members (12 of whom are full-time) are drawn from nine countries and have a variety of professional backgrounds. They are appointed by and accountable to the Trustees of the IASC Foundation, who are required to select *the best available combination of technical expertise and diversity of international business and market experience*.

About the Expert Advisory Panel

The panel was formed to assist the IASB in reviewing best practices in the area of valuation techniques and formulating any necessary additional guidance on valuation methods for financial instruments and related disclosures when markets are no longer active.

The panel's discussions have provided insight into whether there is a need for additional guidance in this area. The remit of the panel was how to measure the fair value of financial instruments when markets are no longer active. The panel did not discuss whether fair value is an appropriate measurement basis for a particular financial instrument or class of financial instruments. The IASB is addressing this in its work on [financial instruments](#) and published in March 2008 a discussion paper [Reducing Complexity in Reporting Financial Instruments](#), inviting comments by 19 September 2008.

The expert advisory panel comprised experts from users, preparers and auditors of financial statements, as well as regulators and others. Participants were selected on the basis of their practical experience with the valuation of financial instruments in the current market environment.

About the recommendations of the Financial Stability Forum

In April 2008 the [Financial Stability Forum](#) published a report to the G7 group of Finance Ministers and Central Bank Governors making recommendations for [Enhancing Market and Institutional Resilience](#).

The report was the result of collaboration by the main international bodies and national authorities in key financial centres, including the IASB. It set out 67 recommendations, which were [endorsed by the G7](#) on 11 April. Of the recommendations, three relate to enhancements to financial reporting. Those recommendations form the core of the IASB's response to the credit crisis (see <http://www.iasb.org/credit+crisis.htm>).