



International Accounting Standards Board®

Press Release

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IASB seeks views on accounting for ‘own credit risk’

The International Accounting Standards Board (IASB) today published for public comment a discussion paper on the role of credit risk in liability measurement. The paper is accompanied by a staff paper that describes the most common arguments for and against including credit risk in measuring liabilities.

Credit risk in liability measurement is often referred to as ‘own credit risk’. Existing International Financial Reporting Standards (IFRSs) require profit or loss resulting from changes in ‘own credit’ to be booked when debt is fair valued. From an accounting perspective there are good reasons for applying fair value measurement to both assets and liabilities. However, some see the outcome as counter-intuitive. Recent developments in the financial markets have led to increased concerns about gains that result from changes in the value of an entity’s liabilities.

The discussion paper responds to this concern. The issue of ‘own credit risk’ has relevance to other IASB projects, in particular in the accounting for financial instruments, insurance, fair value measurement and provisions, contingent liabilities and contingent assets.

The staff paper is open for comment until 1 September 2009 and can be accessed free of charge on eIFRS or on the ‘Open for comment’ section on the IASB’s website www.iasb.org.

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

We are aware that the practice of booking profits or losses resulting from changes in the fair value of ‘own credit risk’ has been identified as one of the major issues in fair value accounting. Responses to this consultation will assist the Board in further developing its comprehensive response to the financial crisis.

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Notes for 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 (13 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.