



International Accounting Standards Board®

Press Release

5 March 2009

IASB enhances financial instruments disclosures

The International Accounting Standards Board (IASB) today issued amendments that improve the disclosure requirements about fair value measurements and reinforce existing principles for disclosures about the liquidity risk associated with financial instruments.

The amendments form part of the IASB's focused response to the financial crisis and addresses the G20 conclusions aimed at improved transparency and enhanced accounting guidance. The improvements also reflect discussions by the IASB's Expert Advisory Panel on measuring and disclosing fair values of financial instruments when markets are no longer active.

Responding to the calls of policymakers, many investor groups and other interested parties, the IASB is bringing the disclosure requirements of International Financial Reporting Standards (IFRSs) more closely into line with US standards. The amendments to IFRS 7 *Financial Instruments: Disclosures* introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements.

In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk. This is aimed at ensuring that the information disclosed enables users of an entity's financial statements to evaluate the nature and extent of liquidity risk arising from financial instruments and how the entity manages that risk.

The amendments to IFRS 7 apply for annual periods beginning on or after 1 January 2009. However, an entity will not be required to provide comparative disclosures in the first year of application.

Introducing the amendments, Sir David Tweedie, Chairman of the IASB, said:

The financial crisis has shown that a clear understanding of how entities determine the fair value of financial instruments, particularly when only limited information is available, is crucial to maintaining confidence in the financial markets. The additional disclosure requirements and the three-level hierarchy will help to increase the clarity of the information. The amendments will also enhance the disclosures about the liquidity risks associated with financial instruments. The proposals build on the advice we have received from the IASB's Expert Advisory Panel.

For more information about measures undertaken by the IASB in response to the financial crisis, visit www.iasb.org. Printed copies of *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7) (ISBN 978-1-907026-00-3) will be available shortly, at £10.00 plus shipping, from:

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NOTES TO EDITORS

About the IASB

The IASB, based in London, began operations in 2001. It is funded by contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The IASB has up to 16 members (13 of whom are full-time) who are drawn from nine countries at present and have a variety of professional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and

comparable information in general purpose financial statements. In pursuit of this objective, the IASB co-operates with national accounting standard-setters to achieve convergence in accounting standards around the world.

About the three-level hierarchy for fair value measurement disclosures

The disclosures required by the amendments are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Additional disclosures are required for fair value measurements in Level 3 of the fair value hierarchy.