



International Accounting Standards Board®

Press Release

14 October 2008

IASB provides update on applying fair value in inactive markets

The International Accounting Standards Board (IASB) today provided an update on its work to consider the application of fair value when markets become inactive.

In May 2008 and at the request of the Financial Stability Forum (FSF) the IASB established an Expert Advisory Panel to consider the application of fair value when markets become inactive. The Panel has since met on seven occasions, the latest of which was on Friday 10 October.

Amongst the issues discussed at its meeting on 10 October, the Panel agreed to emphasise that the objective of a fair value measurement is the price at which an orderly transaction would take place between market participants on the measurement date, not the price that would be achieved in a forced liquidation or distress sale. The Panel reaffirmed that such transactions should not be considered in a fair value measurement, whilst also noting that even in times of market dislocation not all market activity arises from forced liquidations or distress sales.

The Panel also agreed to emphasise existing guidance within International Financial Reporting Standards (IFRSs) that using the entity's own assumptions about future cash flows and appropriately risk-adjusted discount rates is acceptable when relevant observable inputs are not available.

The Panel also reviewed the feedback received from interested parties on the draft document and started the process for completing its guidance. The final document of the Panel will include the guidance in the US Financial Accounting Standards Board (FASB) Staff Position issued on 10 October on determining the fair value of a financial asset when the market for that asset is not active.

The IASB reaffirms its belief that fair value measurement guidance under IFRSs and US generally accepted accounting principles is already consistent. The IASB and the FASB will continue to co-operate to ensure that applying fair value in inactive markets is dealt with

consistently. They also intend to issue common guidance on any accounting questions arising from the US Emergency Economic Stabilization Act of 2008.

Sir David Tweedie, Chairman of the IASB, said:

This press release says two things. First, that guidance within IFRSs is already clear that distress sales should not be included in fair value measurement. Secondly, that recent guidance from the FASB is consistent with the findings of our own expert panel on illiquid markets.

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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 (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.