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Paris, the 13rd september 2010

n°53

IASB
30 Cannon Street
LONDON EC4M 6HX
UNITED KINGDOM

Re : Exposure Draft " measurement uncertainty analysis disclosure for fair value measurement"

Dear Sir or Madam,

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our views on the above-mentioned Exposure Draft.

With respect to its project on fair value measurement, the IASB published this limited re-exposure of proposed disclosure concurrently with the FASB's proposal "amendments for common fair value measurement and disclosure requirements in US GAAP and IFRS".

The ANC considers that, although taking into account the correlation between unobservable inputs within level 3 fair value measurements may seem to make sense in order to provide an analysis of uncertainty, it may bring additional complexity and uncertainty to such analysis and disclosures. This applies notably for those instruments for which fair value measurements are derived from a significant number of unobservable inputs and/or using multiple techniques : the cost of identifying "*amounts that could have reasonably been used in the circumstances*" would outweigh the benefits for such a large number of inputs and/or techniques. Therefore, the ANC disagrees with the proposal made by the IASB. We nevertheless encourage the IASB to give further consideration to operational implications of this proposal and to assess whether its benefits could outweigh the related costs.

In any case, we still consider that level 3 measurements (which contain significant entity's own assumptions on hypothetical markets and liquidity) are very far from a market value and remain convinced that additional work should be done on these topics in order to clarify how entities should measure items that are not traded in active markets. The recognition of the change in fair value of level 3 financial instruments in profit or loss has indeed raised major issues during the recent financial crisis, which have not yet been addressed by the Board.

Our detailed answers to the Exposure draft's questions are set out in the Appendix I to this letter.

If you have any questions concerning our comments, we would be pleased to discuss them.

Yours sincerely,

Jérôme Haas

Appendix I
Detailed comments

Question 1

Are there circumstances in which taking into account the effect of the correlation between unobservable inputs (a) would not be operational (e.g. for cost-benefit reasons) or (b) would not be appropriate? If so, please describe those circumstances

While taking into account the effect of interdependency between unobservable inputs (which is, in our view, a more appropriate term than correlation, usually based on observable statistical data) may seem to make sense in order to provide an analysis of uncertainty, the ANC believes that such a requirement would add too much complexity to the current disclosure.

Taking into account interdependency between unobservable inputs would imply the inclusion of significant additional subjective assumptions, this would increase the uncertainty surrounding such analysis disclosure.

Moreover, valuations commonly used in estimating the fair value of these instruments are generally based on multiple valuation techniques and a significant number of inputs. Identifying alternative inputs may not be cost-effective and the information provided may not be meaningful or understandable for users.

This would be the case for example for equity instruments for which we note that the FASB has concluded that a measurement uncertainty analysis disclosure would not be required for investments in unquoted equity instruments (BC8).

Question 2

If the effect of correlation between unobservable inputs were not required, would the measurement uncertainty analysis provide meaningful information? Why or why not?

Consistently with our answer to question 1, we believe that the current disclosure requirement provides sufficient information to users regarding the level of uncertainty related to level 3 fair value measurement..

Question 3

Are there alternative disclosures that you believe might provide users of financial statements with information about the measurement uncertainty inherent in fair value measurements categorised within Level 3 of the fair value hierarchy that the Board should consider instead? If so, please provide a description of those disclosures and the reasons why you think that information would be more useful and more cost-beneficial.

Although we do not agree with the proposed disclosure and while we have no alternative disclosure to propose, we consider that the level of aggregation (classes of instruments) used to provide any disclosure related to the uncertainty analysis should be consistent (or at a minimum reconciled) with the level of aggregation provided for other fair value measurement disclosures for level 3 instruments. We agree with the Boards' decisions that "a reporting entity shall determine appropriate classes of assets and liabilities on the basis of the nature, characteristics and risks" and that "determining appropriate classes of assets and liabilities for which disclosures about fair value measurement should be provided requires judgement" (FASB's ED par. 820-10-50-2C), especially when assets and liabilities are sensible to the same unobservable inputs.

Besides, beyond clarifications on sensitivity analyses, specific disclosures on valuation adjustments accounted for (e.g. nature and amounts of adjustments) could provide valuable insight to users with respect to the uncertainty surrounding level 3 fair value measurements.