

Date
17 September 2008

Le Président

Fédération
des Experts
Comptables
Européens
AISBL

Avenue d'Auderghem 22-28/8
1040 Bruxelles
Tél. 32 (0) 2 285 40 85
Fax: 32 (0) 2 231 11 12
E-mail: secretariat@fee.be



Mr Fernando Restoy
Chairman CESR Fin
CESR
11-13 avenue de Friedland
F - 75008 PARIS

cc. Lotte Andersen
Email: secretariat@cesr.eu, landersen@cesr.eu

Dear Mr Restoy,

Re: Draft CESR Statement Fair Value Measurement and related disclosures of financial instruments in illiquid markets

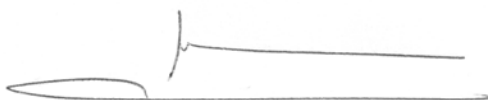
1. FEE (Fédération des Experts comptables Européens - Federation of European Accountants) welcomes the opportunity to comment on the Draft CESR Statement Fair Value Measurement and related disclosures of financial instruments in illiquid markets.
2. We acknowledge that CESR has been requested by ECOFIN to contribute to the ECOFIN debate on issues related to the financial turmoil with this Statement to form the basis of that contribution.
3. We agree with CESR that it is important that investors receive sufficient transparent information on how instruments are valued and that there is a need to strengthen market confidence. We, like CESR, underline the importance of appropriate application of the measurement and disclosure requirements in IFRS. This draft statement is a useful contribution to the discussion of the issues that have arisen as a result of the current financial turmoil.
4. However, the financial turmoil is a global phenomenon that calls for a global reaction. In this respect we refer to the July 2008 European Statement of the Chairs of EFRAG, ASB, CNC and GASB on the financial turmoil, identifying that the IASB should be the body that first responds to the accounting issues arising as a result of that turmoil. To ensure that the interests of European stakeholders are looked after properly, appropriate European input and advice on a timely basis needs to be provided.
5. IASB has created the Expert Advisory Panel in response to recommendations made by the Financial Stability Forum. The membership of the Panel includes regulators. The Panel's stated objective is 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/liquid. It is our understanding that the Panel will also issue a publicly available paper on best practice disclosures relating to financial instruments measured at fair value.

6. We are strongly of the opinion that CESR should provide input to the IASB Expert Panel discussions and thus should not provide separate guidance on the Fair value measurement and related disclosures of financial instruments in illiquid markets. It would be confusing for preparers and users if different papers are issued by CESR and the IASB which could include different disclosures practices for IFRS reporting entities in the same sector both in and outside Europe.
7. Requesting increased disclosure in isolation is an inappropriate reaction and would not seem to fully meet investors' needs. Measurement and recognition issues also need to be addressed at a global level. Both of these aspects are within the current mandate of the IASB Expert Panel.
8. CESR acknowledges in the Executive Summary of the Draft Statement that the competence of setting, formally interpreting standards and issuing general interpretations of existing standards lies with the IASB/IFRIC. CESR states that the statement remains under the domain of application of current IFRS, as CESR members' role regarding the IFRS is the enforcement of financial information. However, we fear that, by issuing that draft Statement, CESR is actually providing de-facto an interpretation of IAS 1, IAS 39 and IFRS 7 and this does not seem appropriate to us.
9. Interpretations and clarification of IFRS in relation to the financial turmoil should be solely within the remit of the IASB/IFRIC and should be provided at global level since there are no specific European elements that require any form of European (application) guidance. Stakeholders need to be able to distinguish between authoritative guidance on IFRS as published by the IASB and contributions by other bodies. (This leaves aside the ultimate possibility that after court cases prescriptive requirements may be imposed upon entities but based on specific cases.) Therefore, we recommend CESR does not issue any form of own application guidance on these matters
10. CESR should call on the IASB to publish (draft) guidance/interpretations prior to the 2008 financial statements year-end to provide timely guidance to preparers, auditors, users and other stakeholders. If CESR concludes that the output of the IASB is helpful, as we would expect, it may even want to consider whether there is merit in recommending market participants to have regard to the Panel's discussions in the preparation of financial statements for the 2008 reporting season, rather than issuing its own guidance. Market regulators in other jurisdictions outside Europe may consider a similar approach.
11. Fair value measurement will continue to include significant areas for judgement by preparers and auditors. We are at present not aware of any signals that parties involved in the financial reporting chain do not make their judgements in a proper way.

As explained in detail above, we believe that the CESR draft statement should serve as input to the Expert Advisory Panel and the IASB's discussion rather than be separately published by CESR. We have limited our comments to the general observations above and consequently have not responded to the specific questions.

We would be pleased to discuss with you any aspect of this letter that you may wish to raise with us.

Yours sincerely,



Jacques Potdevin
President