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Date : Amsterdam, 16 April 2009
Re : Comment on Request for views on Proposed FASB Amendments on
Fair Value Measurement and Impairment

Dear members of the EFRAG Technical Expert Group,

We appreciate the opportunity to comment on your comment letter regarding the FASB Staff Positions (FSPs), FSP FAS 157-e “*Determining Whether a Market is Not Active and a Transaction is Not Distressed*” and FSP FAS 115-a, FAS 124-a and EITF 99-20-b “*Recognition and Presentation of Other Than Temporary Impairments*”. In the view of the DASB, these FSPs, aimed to provide additional guidance on fair value measurements and impairments on financial instruments, is of vital importance towards a new standard on recognition and measurement of financial instruments.

We agree with EFRAG emphasising the importance of working co-operatively and in an internationally co-ordinated manner to consider accounting issue emerging from the global financial crisis.

In addition, we have the following remarks and recommendations.

We believe the current economic crisis has led to extraordinary market conditions that raise important issues about the measurement and the use of that measurement in financial reporting, as well as the recognition of asset impairments. The DASB supports the urgency of FASB by allowing implementation as of 1 January 2009. Therefore the DASB welcomes the important steps that are being taken by the FASB and thank you for the opportunity to comment on your “*Request for views*”.

We understand the concerns raised by various industry groups (e.g., banks and insurance companies), their regulators, the EU and auditors regarding the effect of fair value accounting on regulatory capital of financial institutions and the issue of pro-cyclicality. The FASB proposals describe the same issues that these constituents have asked the IASB to resolve in the short term. The proposals of the FASB are also relevant for IFRS and can be implemented within the current framework relatively easy.

We believe that the accounting requirements for financial instruments need improvement in the very short term, as the recent market turbulence has highlighted important weaknesses in the current requirements, both under US GAAP and IFRS. The most important improvements needed relate to the determination of fair value in illiquid markets and the overstatement of losses in reporting impairments on available-for-sale investments. These areas have been highlighted many times, including in the request from the European Commission to the IASB, the Statement by the Informal Ecofin Council and in the various roundtables of the IASB and FASB.

We support addressing such concerns through the changes as outlined in the following proposed FSPs.

Proposed FASB Staff Position 157-e

The DASB finds the FSP 157-e very compatible to the IASB Expert Advisory Panel's paper "Measuring and Disclosing the Fair Value of Financial Instruments in Markets that are Not Longer Active" as both stress the importance of using judgement and considering all available information, including transaction prices in distressed markets. The DASB welcomes the additional provided guidance on determining whether a market for a financial asset is not active and a transaction is not distressed for fair value measurements and considers the proposed two-step model as understandable and operational.

The FASB proposal moves away from determining the discount rate from observed transactions from markets that are deemed inactive, as these transactions are either absent (forcing the preparer of financial statements to derive the discount rate from, say, derivative indices, whose correlation with actual transaction prices is limited) or distressed. Instead, the discount rate is determined based on reasonable estimates of actual credit/non-performance risk.

By implication, the proposed FASB guidance is compatible with the objective of fair value measurement as outlined in the Framework of IFRS.

Proposed FASB Staff Position FAS 115-a, FAS 124-a and EITF 99-20-b

The DASB agrees with the proposed impairment model. The approach would be beneficial because it differentiates between fair value changes that are attributable to fluctuations in liquidity premiums associated with distressed markets, from those that are attributable to a credit component. We agree that only the credit component is reflective of estimated true losses and should be reflected in net profit or loss. The non-credit component should be reflected in other comprehensive income and should be recognised in earnings when the entity has decided, is required, and-or intends to sell the security before recovery of cost. We also believe the proposed FSP modification would make the requirements clearly more operational for management compared to the current requirements.

Concluding remarks

We welcome the proposals issued by the FASB as we believe these exactly address the core issues in the current requirements. We furthermore welcome the sense of urgency in the proposals and the intention to allow implementation as of 1 January 2009. We therefore fully support the FASB proposals and encourage the adoption of the FSPs (157-e, 115-a and 124-a) and EITF 99-20-b. In addition the DASB also notes that the FASB proposals are equally

relevant to IFRS and, as we support harmonisation and a level playing field between US GAAP and IFRS, we strongly urge the IASB to implement similar improvements with the same timing.

Yours sincerely,

A handwritten signature in black ink, consisting of a vertical line on the left that curves into a horizontal line extending to the right, ending in a small hook.

Hans de Munnik
Chairman Dutch Accounting Standards Board