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Sir David Tweedie

International Accounting Standards Board
(IASB)

30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir David,

RE: DUE PROCESS ON THE PROJECT "FAIR VALUE MEASUREMENT"

The September edition of the IASB Update indicates that the IASB has decided to take an active project on "Fair value measurement" to its agenda.

We welcome this decision, as a standard on "how" to measure fair value is all the more needed. Fair value has been introduced into IFRS in successive layers of requirements which do not necessarily offer adequate or consistent guidance. As you know, one of our main concerns about fair value is the lack of reliability which it may generate in companies' accounts. A thorough study of how to measure fair value could help alleviate some of our concerns. We also want to express support for a project which serves the IASB convergence objectives.

We understand however that notwithstanding the importance of the issue the IASB has decided not to follow its due process. When the IASB and FASB back in April 2004 decided to adopt a modified approach to joint projects, the decision was taken, in order to avoid unnecessary duplication of resources and efforts, that any paper developed by the leading Board would be published as a Discussion Paper by the other Board in order to start the consultation with its constituency without any further delay. Following the analysis of the comments received after the publication of the Discussion Paper, an exposure draft would be prepared, in advance of the issuance of a final standard. This procedure has recently been followed by the FASB in respect of non-current liabilities.

The tentative decision made by the Board during its September meeting means depriving the IASB constituency of the appropriate consultative process to which the IASB committed itself last year. The absence of a discussion paper would be justified, in the Board's view, by the necessity of dealing with the issues fast, quickly enough to conclude the project prior to the final publication of a revised IFRS 3.

We wish to note that the FASB has been working on their project on how to measure fair value for over a year. The IASB has already had the benefit, back in October 2004

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during a joint meeting with the FASB, of a presentation by the FASB project manager of the main issues arising after the invitation for comment period was closed. During the development of Business Combinations phase II, the IASB considered whether developing a standard devoted to how to measure fair value along the FASB's efforts would be valuable. The idea was not pursued. Instead the IASB decided to incorporate selected extracts of the draft FASB literature which is presently open for comments as part of the IASB exposure draft on Business Combinations.

The evidence of the need for convergence on this subject is no clearer today than it has been all the way since the Norwalk convergence agreement was signed in October 2002. We therefore expect the IASB to strictly comply with their due process.

Beyond the obvious benefit of consultative processes, deciding to publish a discussion paper as a first step in the due process would bring several additional benefits:

- the IASB does not need to wait till the FASB has completed its project; the discussion paper could be wrapped up on the basis of the existing documents; nor does it need four months to draft the invitation for comment;
- the IASB would deliberate, prior to the issuance of its exposure draft, taking into account the views and concerns of its constituency;
- the IASB would collect in the answers to the discussion paper the appropriate inputs for preparing its own implementation guidance: the IASB has indeed identified in the course of its September discussion that the implementation guidance developed by the FASB does not necessarily fit the environment and needs of non-US environments, emerging economies in particular;
- the IASB would then, in its exposure draft, submit to its constituency the text of the final standard they intend to issue and probably avoid the need for re-exposure that a renewed implementation guidance – at least - would necessarily generate.

Yours sincerely,

Philippe de Buck
Secretary General