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 FASB  
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LETTER OF COMMENT NO. 395

1 April 2009

Dear Sirs

**Proposed FSP FAS 157-e: Determining whether a market is not active and a transaction is not distressed**

ACCA (the Association of Chartered Certified Accountants) is pleased to have this opportunity to comment on the FASB Staff Position document (FSP) on the above subject, which was considered by ACCA's Financial Reporting Committee. I am writing to give you their views.

ACCA is the global body for professional accountants, supporting 131,500 members and 362,000 students throughout their careers, and providing services through a network of 82 offices and centres.

We aim to offer the first choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. ACCA works to achieve and promote the highest professional, ethical and governance standards and advance the public interest.

**General comments**

We note the background of the proposals as set out in the FSP and understand the FASB's efforts to address public interest issues with a level of urgency. However, we feel that significant accounting issues such as those relating to fair value measurement are often common to issuers and users of US GAAP and IFRS. We therefore believe it is unfortunate, that the proposals in the FSP have not been coordinated with the IASB, especially given the joint efforts to deal with reporting issues from the global financial crisis.

Our comments reflect how the proposals compare to the requirements of IAS39 *Financial Instruments: Recognition and Measurement*, and guidance issued by



the IASB in this area, such as the report of the IASB Expert Advisory Panel *Measuring and disclosing the fair value of financial instruments in markets that are no longer active* (Panel Report), which was issued in October 2008.

We have concerns that the proposals appear to move the onus of proof as to whether a market is illiquid such that entities are more likely to reach such a conclusion and apply Level 2 and Level 3 estimates to measure the fair value of their relevant financial instruments.

### **Step 1: Factors that indicate that a market is inactive**

While we believe it is helpful to provide guidance on what factors could be considered as indicative of an inactive market, we consider some of those outlined in Paragraph 11 to be excessive and not entirely clear. For example we are uncertain as to how factors (d) and (e) would be considered in practice.

We do not believe there are any specific bright lines between active and inactive markets, and therefore the factors outlined in Paragraph 11 alone, do not necessarily mean that a market is no longer active. While Paragraph 12 does state the need to 'use judgement' in addition to evaluating those factors, we believe that greater emphasis should be placed on the specific facts and circumstances of the market for the financial instrument being considered.

### **Step 2: Distressed transactions**

We have significant concerns that Step 2, as outlined in Paragraph 13 could be seen as a foregone conclusion in terms of assessing that a distressed transaction has taken place. In particular, we are not sure how practicable it is to receive information on 'multiple bidders for the asset' in any case, which would then automatically result in the presumption that a distressed transaction has taken place.

As mentioned in the Panel Report, 'even when a market has become inactive, it is not appropriate to conclude that all market activity represents forced transactions'. We believe that it would be more appropriate to consider what might be indicators of a forced transaction (such as point (a) in Paragraph 12) while again emphasising the need to thoroughly consider all facts and circumstances of the particular transaction.

If there are any matters arising from the above please be in touch with me.

Yours sincerely



A handwritten signature in black ink, appearing to read "Aziz Tayyebi".

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ACCA

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