IACVA
INTERNATIONAL ASSOCIATION
of Consultants, Valuators and Analysts

International Association of Consultants, Valuators and Analysts

707 Eglinton Avenue West, Suite 501
Toronto, Ontario M5N 1C8, Canada

30 September 2010

Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, Connecticut 06856-5116

Attention Technical Director
File Reference No. 1810-100
By email: director@fasb.org

Ladies and Gentlemen,

This letter of comment is submitted on behalf of the IFRS Committee of the International Association of Consultants, Valuators and Analysts (IACVA), a member of the International Valuation Standards Council (IVSC) and the World Association of Valuation Organizations (WAVO). We are a knowledge transfer and credentialing organization with Charters, issued or pending, in China, Germany, Ghana, India, Indonesia, Mexico, Middle East, Nigeria, Philippines, Russia, South Korea, Taiwan, Thailand, the United States (National Association of Certified Valuation Analysts – NACVA and the Institute of Business Appraisers – IBA) and Vietnam. The organization has nearly 8,000 members, who are mainly involved in business valuation and fraud deterrence.

As a worldwide organization, our members are extremely concerned with the development of the valuation provision in International Financial Reporting Standards (IFRS), as well as Generally Accepted Accounting Principles in the United States (GAAP). They are especially worried by the trend in the convergence activities that seems to result in IFRS moving towards GAAP rather than the process correcting the many practical deficiencies and complexities of the recent codification, especially its excessive rules.

We appreciate the opportunity to comment on the Exposure Draft *"Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"*.

In general, IACVA prefers the model put forward by Ms. Leslie F. Seidman and Mr. Lawrence W. Smith as described in BC224 to BC252 of the Exposure Draft, rather than that of the main text. However, in nearly every respect, we support the position of the International Accounting Standards Board and request that the Board carefully consider the adverse affect of US GAAP differing so substantially from IFRS used in most of the rest of the world.

In addition, we believe you should consider the following comments of Mr. Paul Volker, Chairman of the President's Economic Recovery Advisory Board and former Chairman of the Board of Governors of the Federal Reserve System, given in an interview on 23 August 2010 with Mr. Steve Forbes of Forbes Magazine:

> "**Volcker**: Well, I'm lost in some of the details, but my impression is just that FASB is much more toward insisting upon mark-to-market accounting in areas that I don't think it's appropriate. And the international, which I was much more involved in and with professional accountants and professional account standard studies were very attracted toward mark-to-market accounting. That's the theme of modern accounting. Wanted to go ahead pretty fast, but I think they have changed their mind. And I understand that in some areas, like traditional or commercial banking, mark-to-market accounting can be destructive and I think we've seen that in recent years where mark-to-market accounting to some degree contributed to the exuberance that everybody felt a few years ago, because when prices were going up, everything got marked up. And it looked good on the balance sheet.
>
> **Forbes**: You know, it goes against principles. It's pro-cyclical instead of counter-cyclical.
>
> **Volcker**: And then when the thing collapsed, there was no market. Things got marked down very sharply. And in fact, people didn't quite know where the market was. So there was a lot of uncertainty. And I think on balance it's an area where we need some reform. And my impression is the international people are pretty much going in the right direction. Your balance between that part of the financial books, that part of the commercial banking book that should not be automatically mark-to-market, distinct from parts that should be, where if you've got a trading book, should be mark-to-market."

As well as Mr. Volcker's remarks, we draw your attention to those of Ms. Terry Iannaconi, Partner, Department of Professional Practice, KPMG LLP, with respect to the underpinnings of the concept of Fair Value with which our members are concerned on a daily basis, and the Board's proposed modification of it, with respect to financial instruments.

> "One could assert that all times are uncertain - and in many respects they are. One interesting aspect of our current uncertain environment is that it involves the ascendancy of fair value accounting at a time when the determination of fair value is particularly difficult. Fair value is inherently dependent upon expectations about the future. Even when the fair value of an asset is being determined based on available quotations in a highly liquid market, that available market value inherently reflects expectations about the future by the participants in the highly liquid market. Ultimately all of our economic activity to some degree rests on expectations

about the future. As George Burns used to say when he was in his 90's - at my (advanced) age I don't buy green bananas.”

Some areas of the Modified Fair Value measurement proposals affecting financial instruments, with which we are concerned, include:

(a) The restrictions in paragraph 820-10-35-18J with respect to applying the portfolio approach. Many transactions deal with portfolios that do not comply with the proposal. We suggest that if a test is considered necessary (and we do not agree) it should be based on the actions of market participants, that tend to differ between markets in different countries.

(b) There is to be a presumption that “without evidence to the contrary, the market in which an entity would normally enter into a transaction would be the principal market”. This conflicts with the definition of Principal Market in paragraph BC50 of the Fair Value ED which states “The Board decided to clarify that the principal market should be determined on the basis of the market for the asset or liability with the greatest volume and level of activity for the asset or liability”. We suggest that the concepts of principal and most advantageous market” be conflated under the term “available market” using the presumption.

(c) The abolition of the concept of “Highest and Best Use” for financial instruments and the requirement that all financial instruments be measured using an “in exchange” premise allowing only for certain portfolio and credit valuation adjustments. This again does not conform to the exit price/market participant concept of Fair Value. Market participants nearly always take into account “blockage discounts”, usually as a Discount for Lack Of Marketability (DLOM). The calculation of such an amount is an essential part of most equity Fair Value assignments. The requirement to measure the fair value of instruments classified in shareholders’ equity based on an exit price from the perspective of market participants should be the basis of all financial instrument Fair Values.

(d) The proposed changes in paragraph 820-10-35-54D imply a future presumption that a price or quote from a market in which volumes or levels of activity have decreased significantly is determinative of Fair Value unless there is evidence to the contrary. Again, we believe that this unnecessarily complicates measuring the Fair Values of financial instruments as the previous guideline worked well in practice. The new wording creates a significant operating challenge as no one, either valuator or auditor, has any idea of the extent of the evidence necessary to overcome such presumption.

(e) The requirement to disclose the quantitative effect of different value conclusions for Level 3 measurements, where one or more unobservable inputs have alternative figures and other choices would have significantly changed the resulting Fair Values. This gives rise to substantial operational challenges as it involves: first, establishing a range of reasonable exit prices resulting from the use of alternative assumptions about inputs to the Fair Value measurement, second, determining the importance of the changes in Fair Value from the use of such alternative choices and which, if any of them, are required to be disclosed. As there is no definition of the class of asset involved, we believe it is intended to apply to every calculation involving Level 3 inputs; potentially a herculean task. We recommend that Fair Values using the Level 3 inputs be expressed as ranges with the central point (mean) as the selected amount and the size of the range shown as a measure of risk.

(f) The fair value of a financial instrument will reflect its potential return, riskiness and liquidity. Therefore, the definition of riskiness, supposedly indicated by the rating agencies rankings (AAA to D), is essential in the measurement and reporting of financial instruments. From our experience, there is no single generally accepted view about the meaning or even the appropriate measurements of riskiness or uncertainty. Those that have been published seem to be more subjective than objective.

However, the common thread running through most concepts of risk is a concern about the possibility of a loss; its size, imminence and likelihood being important measure of the degree of riskiness. Even if risk is the possibility of financial loss, there are many factors which lead to it; each set suggests different strategies for identifying, measuring and communicating their degree.

The following table from “Approaches to Dealing with Risk and Uncertainly”, J.E.Boritz, PhD, FCA, Canadian Institute of Chartered Accountants, 1990, sets out some major classes of risks. All of those and their related assumption by market participants have to be considered in assessing Fair Values, even though any particular one may have little weight in a given situation.

Major Classes of Risk

Credit Risk	The possibility of loss from the failure of another party to perform according to the terms of a contract. Examples include uncollectability of trade receivables, missed interest payments, and failure to repay the principal amount of a loan.
Market Risk	The possibility that future changes in market prices may make an asset less valuable or more undesirable. This includes

	changes in foreign exchange rates, interest rates, commodity prices, security prices, and prices of competitors' products.
Liquidity Risk	The possibility that an entity may be obligated to pay cash that it may not have available. This risk is different from bankruptcy risk in that a liquidity problem may be due to a temporary mismatch in the timing of cash inflows and cash outflows (e.g., in the context of a bank, trust company, or credit union, a sudden, unexpected demand for cash by depositors), rather than being an indication of business failure.
Vulnerability due to Concentrations	The possibility that an entity may suffer losses due to concentrations in assets, products or services, suppliers, customers, and geographical locations of its markets.
Torts	The possibility that an entity may be obligated to pay for wrongs or injuries suffered by users of its products or services, or other affected parties.
Injuries to Employees	The possibility that an entity may suffer losses due to liability for injuries to employees.
Errors or Omissions	The possibility that an entity may suffer losses due to errors or omissions in transaction processing, contracting, and operating activities, including related errors in managerial decisions.
Loss or Destruction of Assets	The possibility that an entity may suffer losses due to theft of, damage to, expropriation of, or destruction of assets due to negligence, abuse, or natural hazards (Acts of God).
Business Interruption	The possibility that an entity may suffer losses due to disruption of business activities resulting from natural hazards such as fire or flood, or other perils such as systems failures, etc.
Business Failure/Bankruptcy	The possibility that an entity may be forced out of business due to its inability to compete effectively (business failure) or due to its failure to fulfill its obligations to creditors (bankruptcy).

While it is impossible to eliminate all exposures, effective risk management techniques can reduce them to acceptable levels. It is management's responsibility to settle on such a level for each exposure individually and for all of them combined, by balancing them against the cost of possible reductions. The acceptable extent of risk levels should be communicated to investors and creditors so they can take appropriate action.

Our detailed observations to the questions in this ED are as follows:

Scope

Question 1: Do you agree with the scope of financial instruments included in this proposed Update? If not, which other financial instruments do you believe should be excluded or which financial instruments should be included that are proposed to be excluded? Why?

We believe that for any entity, its holdings of financial instruments can be divided into four "books":

- Trading – long or short positions held for a brief or (rarely) medium term against an increase (or decrease if short) in their value; this also includes "equivalent to cash" securities.
- Loan – held for payment of interest and principal; this also includes various forms of receivables and leases.
- Investment – held for long term benefits that include interest, dividends, profit particulars, fees and capital gains. With respect to Joint Ventures, especially in resources, we recommend revisiting the concept of proportional consolidation.
- Hedges – held in the expectation that the changes in Fair Values or cash flows will offset those relating to other assets. Items in this book may be an asset or a liability depending on the timing, facts and circumstances.

The allocation of instruments to any particular book depends on the entity's business model, economic situation and other fact and circumstances.

As they form part of the "loan book", we recommend that trade receivables (arising from the sale of goods or services), advances (to employees or other parties) and lessor positions in leases be treated as financial instruments so that items with similar economic effect are accounted for in the same way. We do not believe that the application of an exit price concept, which involves a DLOM, is appropriate as for at least seven centuries, they have been recorded at cost (the entry price) less a provision reflecting loss experience.

Question 2: The proposed guidance would require loan commitments, other than loan commitments related to a revolving line of credit issued under a credit card arrangement, to be measured at fair value. Do you agree that loan commitments related to a revolving line of credit issued under a credit card arrangement should be excluded from the scope of this proposed Update? If not, why?

We consider that all commitments with respect to financial instruments be treated in the same manner as the underlying item.

Question 3: The proposed guidance would require deposit-type and investment contracts of insurance and other entities to be measured at fair value. Do you agree that deposit-type and investment contracts should be included in the scope? If not, why?

We consider that deposit type and investment contracts of insurance should be included in the scope of the amendment. Whether they are measured at Fair Value or amortized cost depends on their nature, the entity's business model, as well as other facts and circumstances.

Question 4: The proposed guidance would require an entity to not only determine if they have significant influence over the investee as described currently in Topic 323 on accounting for equity method investments and joint ventures but also to determine if the operations of the investee are related to the entity's consolidated business to qualify for the equity method of accounting. Do you agree with this proposed change to the criteria for equity method of accounting? If not, why?

The current criteria for applying the equity method of accounting has worked well for many years and no changes seem necessary.

Question 5: The proposed guidance would require financial liabilities of investment companies to be measured at fair value with changes in fair value recognized as a net increase (decrease) in net assets. Do you believe that the effect on net asset value will provide decision-useful information? If yes, how will the information provided influence your analysis of the entity? If not, why?

We do not believe that any change is necessary in the well established accounting for investment companies. We are not in favour of changes for spurious conformity. In particular, the financial liabilities of most investment companies are small relative to their assets and it is unlikely that changes in such Fair Value would be material. As well, we have great concern about recording financial liabilities at Fair Values rather than settlement amounts in such situations.

Question 6: The proposed guidance would require money market funds that comply with Rule 2a-7 of the Investment Company Act of 1940 to measure their investments at fair value rather than amortized cost. Do you believe that reporting those investments at fair value rather than amortized cost will provide decision-useful information? If yes, how will the information provided influence your analysis of the fund? If not, why?

The financial instruments held by money market funds covered by this rule are likely to be very short term, consequently the variances between amortized costs and Fair Values are probably relatively small. We therefore we do not think the knowledge to investors of such differences would justify the time and effort involved, especially as any impairments are recognized immediately on the basis of the lower of (amortized) cost or market.

Question 7: The proposed guidance would require brokers and dealers in securities to apply the proposed guidance for measuring financial liabilities, which could mean that qualifying changes in fair value would be recognized in other comprehensive income. Do you believe that this will provide decision-useful information? If yes, how will the information provided influence your analysis of the entity? If not, why?

We do not believe that information about changes in the Fair Values of the financial liabilities of brokers and dealers in securities would add to the knowledge of their lenders. Those are mainly supplier of short term credit. Liquidity and investment capital are much more important credit initiatives.

Initial Measurement

Question 8: Do you agree with the initial measurement principles for financial instruments? If not, why?

The initial measurement principles for financial instruments are set out in paragraph 12 of the ED, which states:

12. An entity shall initially measure a financial instrument as follows:

> a. A financial asset or financial liability at its fair value if all subsequent changes in the fair value of the financial asset or financial liability will be recognized in net income.
>
> b. A financial asset or financial liability at the transaction price if the qualifying portion of subsequent changes in fair value of the financial asset or financial liability will be recognized in other comprehensive income. See paragraphs 14–17 for a discussion of situations in which an entity has reason to expect that the fair value of such a financial instrument may differ significantly from the transaction price.
>
> c. A financial liability at the transaction price if the financial liability will be subsequently measured at either of the following:
>
> 1. Amortized cost in accordance with paragraph 28
> 2. Remeasurement amount in accordance with paragraph 31.

In general, we believe that the concept of an exit price set out in ASC820 *Fair Value Measurements and Disclosures* should apply to all financial assets without qualifications (a) and (b). Financial liabilities should be initially measured at the transaction price and then at amortized cost with no re-measurement. Therefore, in our view, paragraph 12 should be completely rewritten.

Question 9: For financial instruments for which qualifying changes in fair value are recognized in other comprehensive income, do you agree that a significant difference between the transaction price and the fair value on the transaction date should be recognized in net income if the significant difference relates to something other than fees or costs or because the market in which the transaction occurs is different from the market in which the reporting entity would transact? If not, why?

We do not believe in the concept of Day 1 gains. As valuators, we know that there are often significant difficulties in estimating Fair Values especially with Level 3 inputs, therefore transaction prices are preferable. In general, fees and costs should be included in the transaction price as with most other assets. Differences from Fair Values due to purchases in a market other than the most advantageous are in reality arbitrage gains. In the trading and hedges books, they relate directly to the gains or losses that are included in income. In the other books, they merely form part of the transaction price.

Question 10: Do you believe that there should be a single initial measurement principle regardless of whether changes in fair value of a financial instrument are recognized in net income or other comprehensive income? If yes, should that principle require initial measurement at the transaction price or fair value? Why?

We believe in a single initial measurement principle; the Transaction Price reflecting all related costs including commissions, spreads, points and other Direct Loan Obligation Costs. As previously stated, we prefer the IASB dual model with only the trading and hedges books measured at Fair Value, the loan book at amortized costs and the investment book at an appropriate figure (equity, fair value, redemption, price, etc.).

Question 11: Do you agree that transaction fees and costs should be (1) expensed immediately for financial instruments measured at fair value with all changes in fair value recognized in net income and (2) deferred and amortized as an adjustment of the yield for financial instruments measured at fair value with qualifying changes in fair value recognized in other comprehensive income? If not, why?

As previously stated, we believe that dealing fees and costs are part of the transaction price. To the extent that the instrument forms part of the trading or hedges books, they will be treated as an adjustment to Fair Value through profit and loss (Statement of Operations) otherwise, they are reflected in the yield.

Question 12: For financial instruments initially measured at the transaction price, do you believe that the proposed guidance is operational to determine whether there is a significant difference between the transaction price and fair value? If not, why?

As valuators, we are aware of the problem of estimating the Fair Value of many financial instruments whose quoted prices may vary by +/- 10% within a single day. Therefore, we believe that the transaction price is the best initial measurement and no reference should be made to apparent initial differences between that amount and Fair Value obtained by some other method even if the variance appears to be substantial.

Subsequent Measurement

Question 13: The Board believes that both fair value information and amortized cost information should be provided for financial instruments an entity intends to hold for collection or payment(s) of contractual cash flows. Most Board members believe that this information should be provided in the totals on the face of the financial statements with changes in fair value recognized in reported stockholders' equity as a net increase (decrease) in net assets. Some Board members believe fair value should be presented parenthetically in the statement of financial position. The basis for conclusions and the alternative views describe the reasons for those views. Do you believe the default measurement attribute for financial instruments should be fair value? If not, why? Do you believe that certain financial instruments should be measured using a different measurement attribute? If so, why?

This question goes to the heart of the matter. As stated in one answer to Question 1, we believe that the ownership of financial instruments as assets by an entity can be divided into four books. By their nature, those in the trading book have an active market. Those in the hedges books, generally have either an active market or are derivatives whose underlying is frequently traded. Therefore, determining their Fair Value is relatively simple and that measure should be used as the basis for their financial reporting.

The instruments in the loan and investment books in general, do not have active markets. Many have only notional markets with hypothetical market participants. In such cases, on the basis of reliability if nothing else, amortized costs appear to be the best basis for financial reporting, while showing the estimated Fair Values only in the Notes to the financial statement.

Therefore, we do not believe the default measurement attribute for financial instruments should be Fair Value. In our view, as set out above, many, if not most, financial instruments should be measured on a different basis. On page 1 of the Exposure Draft, the Board states:

> *"The main objective in developing this proposal is to provide financial statement users with a more timely and representative depiction of an entity's involvement in financial instruments, while reducing the complexity in accounting for those instruments. Currently, a high threshold for recognition of credit impairments impedes timely recognition of losses, while complex hedging requirements produce reported results that lack transparency and consistency. Furthermore, existing U.S. generally accepted accounting principles (GAAP) permit different accounting treatments for similar financial instruments. For example, under existing U.S. GAAP, debt instruments may be measured at amortized cost (for example, loans held for investment or held-to-maturity debt securities), at lower of cost or fair value (for example, loans held for sale), or at fair value (for example, trading securities). This proposal simplifies and improves financial reporting for financial instruments by developing a consistent, comprehensive*

framework for classifying financial instruments, removes the threshold for recognizing credit impairments, and makes changes to the requirements to qualify for hedge accounting, the result of which should be more consistent and transparent reporting for hedging activities."

As valuators, we have no objection to the same instrument being recorded in a different manner depending on the facts and circumstances of how (in which book) it is held. According to Ralph Walden Emerson *"A foolish consistency is the hobgoblin of little minds, adored by little statesmen and philosophers and divines".*

We are not sure of the basis of the Boards statement on page 2 of the ED. *"What may be considered an improvement in jurisdictions with less developed financial reporting systems applying International Financial Reporting Standards (IFRS) may not be considered an improvement in the United States."* If this is a suggestion that IFRS is inferior to GAAP, we strongly object. If it infers that US holders of financial instruments (such as banks) should be put at a competitive disadvantage with their foreign counterparts due to different, more complex reporting regulations, we find the sentiment disquieting. Nearly every professional user of financial statements believes that there should be one worldwide set of high quality standards giving a level playing field. The days of 57 varieties of GAAP, or even "new" or "classic" coke, should be over.

Question 14: The proposed guidance would require that interest income or expense, credit impairments and reversals (for financial assets), and realized gains and losses be recognized in net income for financial instruments that meet the criteria for qualifying changes in fair value to be recognized in other comprehensive income. Do you believe that any other fair value changes should be recognized in net income for these financial instruments? If yes, which changes in fair value should be separately recognized in net income? Why?

As previously mentioned, we do not agree that all financial instruments should be measured at Fair Values, only those in the trading and hedges books. For those that are not (the loan and investment books), we recommend that investment income plus realized gains and losses be measured in profit or loss if it relates to operations or in Comprehensive Income, when from financial activities.

Question 15: Do you believe that the subsequent measurement principles should be the same for financial assets and financial liabilities? If not, why?

Where appropriate (see previous answer), we believe that financial assets should be measured at Fair Value. Other than in a Business Combination, when they are assumed by an Acquirer, we do not believe that financial liabilities should be treated in that fashion, as determining their Fair Value is difficult and fluctuations in such amounts can give rise to imaginary gains or losses.

Question 16: The proposed guidance would require an entity to decide whether to measure a financial instrument at fair value with all changes in fair value recognized in net income, at fair value with qualifying changes in fair value recognized in other comprehensive income, or at amortized cost (for certain financial liabilities) at initial recognition. The proposed guidance would prohibit an entity from subsequently changing that decision. Do you agree that reclassifications should be prohibited? If not, in which circumstances do you believe that reclassifications should be permitted or required? Why?

We believe that the four book concept of financial assets requires giving management the ability to reclassify a particular instrument from one book to another if circumstances change. Reclassification should be discouraged but not prohibited.

Question 17: The proposed guidance would require an entity to measure its core deposit liabilities at the present value of the average core deposit amount discounted at the difference between the alternative funds rate and the all-incost- to-service rate over the implied maturity of the deposits. Do you believe that this remeasurement approach is appropriate? If not, why? Do you believe that the remeasurement amount should be disclosed in the notes to the financial statements rather than presented on the face of the financial statements? Why or why not?

In our view, core deposit liabilities do not differ in nature from other financial liabilities. They certainly do not justify a prescribed unique measurement requirement, but should be recorded at amortised cost. For demand deposits, this would be the face amount. We acknowledge that on the acquisition of a branch of a bank or other deposit taking institute, the buyer will pay a premium for the benefits of los cost stable core deposits. This is an intangible asset, not a reduction in the value of the deposits.

Creating a new mandated measurement technique for core deposits is, in our view, ludicrous. The concept of the related intangible assets is well established both in the United States and elsewhere and there is no need to change it. This Exposure Draft is not the place to discuss comments on valuation methods for intangible assets.

Question 18: Do you agree that a financial liability should be permitted to be measured at amortized cost if it meets the criteria for recognizing qualifying changes in fair value in other comprehensive income and if measuring the liability at fair value would create or exacerbate a measurement attribute mismatch? If not, why?

In our view, except for Business Combinations, when the liability is assumed by an Acquirer, all financial liabilities should be recognized at amortized cost not Fair Value. Measuring such items on this basis avoids generating imaginary profits or losses based on the debateable concept that changes in the Fair Values of an entity's liabilities relate solely to shareholders and should therefore be recognized by increases or decreases in the amount shown as their equity. In particular, we do not believe the underlying axiom to be true as financial liabilities are nearly always settled at a negotiated amount that is greater than most Estimates of Fair Value based on the definition.

Question 19: Do you believe that the correct financial instruments are captured by the criteria in the proposed guidance to qualify for measurement at the redemption amount for certain investments that can be redeemed only for a specified amount (such as an investment in the stock of the Federal Home Loan Bank or an investment in the Federal Reserve Bank)? If not, are there any financial instruments that should qualify but do not meet the criteria? Why?

To the extent that any financial instrument is held for a purpose other than dividends or capital gain and the sole market is, as set out in paragraph 34, to "be redeemed with the issuer only for a specific amount", it should, of course, be allowed to be carried at such a figure. We therefore concur.

Question 20: Do you agree that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to a debt instrument measured at fair value with qualifying changes in fair value recognized in other comprehensive income in combination with other deferred tax assets of the entity (rather than segregated and analyzed separately)? If not, why?

We recommend that an entity should review the need for a valuation allowance on any deferred tax asset, not only for ones relating to financial instruments.

Question 21: The Proposed Implementation Guidance section of this proposed Update provides an example to illustrate the application of the subsequent measurement guidance to convertible debt (Example 10). The Board currently has a project on its technical agenda on financial instruments with characteristics of equity. That project will determine the classification for convertible debt from the issuer's perspective and whether convertible debt should continue to be classified as a liability in its entirety or whether the Board should require bifurcation into a liability component and an equity component. However, based on existing U.S. GAAP, the Board believes that convertible debt would not meet the criterion for a debt instrument under paragraph 21(a)(1) to qualify for changes in fair value to be recognized in other comprehensive income because the principal will not be returned to the creditor (investor) at maturity or other settlement. Do you agree with the Board's application of the proposed subsequent measurement guidance to convertible debt? If not, why?

We agree that Convertible Debt is a hybrid financial instrument that contains an embedded derivative. However, there is a significant difference between such an instrument that is in-the-money (i.e. the conversion right is likely to be exercised) and one that is out-of-the-money, (when payment in cash will be expected). In our view, such an instrument will normally be in the investment book and, depending on the facts and circumstances, may be carried at amortized cost, Fair Value or underlying equity.

Question 22: Do you believe that the recognition of qualifying changes in fair value in other comprehensive income (measuring the effects of subsequent changes in interest rates on fair value as well as reflecting differences between management's and the market's expectations about credit impairments) will provide decision-useful information for financial instruments an entity intends to hold for collection or payment(s) of contractual cash flows? If yes, how will the information provided influence your analysis of an entity? If not, why?

As mentioned previously, we believe that the correct measurement basis for a loan book is amortized cost. For floating rate instruments (a significant number of bank loans), subsequent changes in interest rates, will not result in any significant impact. For fixed rate items, the effect of such subsequent events will mainly be a timing impact that will either be amortized towards maturity or reversed if circumstances change. We do not believe that reporting such unrealized profits or losses is useful. In particular, Valuators often have to go to great lengths to remove all financial activity gains and losses from the results of Operations.

Question 23: The proposed guidance would establish fair value with all changes in fair value recognized in net income as the default classification and measurement category for financial instruments. An entity can choose to measure any financial instrument within the scope of this proposed Update at fair value with all changes in fair value recognized in net income, except for core deposit liabilities which must be valued using a remeasurement approach. Do you believe that a default classification and measurement category should be provided for financial instruments that would otherwise meet the criteria for qualifying changes to be recognized in other comprehensive income? If not, why?

We do not agree with the Board's default position, nor with its mandatory treatment of core deposit liabilities. Our view, with respect to the four books of financial instrument assets, has been set out previously.

Question 24: The proposed guidance would provide amortized cost and fair value information on the face of the financial statements. The Board believes that this would increase the likelihood that both measures are available to users of public entity financial statements on a timely basis and that both measures are given equal attention by preparers and auditors. Do you believe that this approach will provide decision-useful information? If yes, how will the information provided be used in the analysis of an entity? If not, would you recommend another approach (for example, supplemental fair value financial statements in the notes to the financial statements or dual financial statements)?

IACVA members are intensive users of financial statements and skilled in obtaining essential information from their Notes. We believe that the financial statements should follow the mixed model described in our answer to Question 1 with only the trading and hedges books carried at Fair Value. Showing the Fair Values for items recorded at amortised cost in the Notes, is helpful but not essential. It is the future cash flows to be generated by the instruments that are the necessary factors in valuing such assets and the entities owning them. Stating such items at fair value on the Balance Sheet reduces the valuators' ability to make their own assumptions.

Question 25: For hybrid financial instruments that currently would require bifurcation and separate accounting under Subtopic 815-15, do you agree that recognizing the entire change in fair value in net income results in more decision useful information than requiring the embedded derivative to be bifurcated and accounted for separately from the host contract? If yes, how will the information provided be used in the analysis of an entity? If not, for which types of hybrid financial instruments do you believe that it is more decision useful to account for the embedded derivative separately from the host contract? Why?

As we do not believe that all financial assets, much less liabilities, should be stated at Fair Value, we prefer the bifurcation and separate accounting of the IFRS model.

Question 26: IFRS 9 requires hybrid financial assets to be classified in their entirety on the basis of the overall classification approach for financial assets with specific guidance for applying the classification approach to investments in contractually linked instruments that create concentrations of credit risk. Also, for hybrid financial liabilities, the IASB, in order to address the effects of changes in the credit risk of a liability, tentatively has decided to retain existing guidance that requires embedded derivatives to be bifurcated and accounted for separately from a host liability contract if particular conditions are met. Do you believe that the proposed guidance for hybrid financial instruments or the IASB's model for accounting for financial hybrid contracts will provide more decision-useful information? Why?

We believe the IFRS model provides more decision-useful information due to the non-linear nature of the changes in values of the embedded derivatives.

Question 27: Do you believe that measuring certain short-term receivables and payables at amortized cost (plus or minus any fair value hedging adjustments) will provide decision-useful information? If yes, how will the information provided be used in your analysis of an entity? If not, why?

In general, short (and long) term receivables are already carried at amortized cost. We believe this should continue, with a generalized provision for credit losses (doubtful accounts).

Question 28: Do you believe that the proposed criteria for recognizing qualifying changes in fair value in other comprehensive income are operational? If not, why?

We do not agree with the proposal criteria. In our view, changes in Fair Value should be recorded in profit or loss (Statement of Operations) only if they relate directly to the entity's operations. They should be reflected in Comprehensive Income if they relate to financial activities.

Question 29: Do you believe that measuring financial liabilities at fair value is operational? If not, why?

We do not believe that financial liabilities should be measured at Fair Value as this result in an implicit assumption that the benefits or costs of their changes are applicable solely to the shareholders; we do not believe this to be true. In addition, such changes may result in the reporting of major imaginary profits or losses without economic substance.

Question 30: Do you believe that the proposed criteria are operational to qualify for measuring a financial liability at amortized cost? If not, why?

In general, we would measure all liabilities at their face amount with an intangible asset representing any unadjusted discounts. The only exception would be zero coupon bonds which would be recorded at the relevant redemption amounts.

Question 31: The proposed guidance would require an entity to measure its core deposit liabilities at the present value of the average core deposit amount discounted at the difference between the alternative funds rate and the all-incost- to-service rate over the implied maturity of the deposits. Do you believe that this remeasurement approach is operational? Do you believe that the remeasurement approach is clearly defined? If not, what, if any, additional guidance is needed?

We believe that the proposed guidance for core deposit liabilities is irrational. The acquisition of core deposits gives rise to an intangible asset not a reduction of the (often demand) liabilities. There is no need to mandate a method for measuring such an asset. We thought the Board's intention was to move towards principles based standards rather than introducing another set of (in this case arbitrary) rules.

Presentation

Question 32: For financial liabilities measured at fair value with all changes in fair value recognized in net income, do you agree that separate presentation of changes in an entity's credit standing (excluding changes in the price of credit) is appropriate, or do you believe that it is more appropriate to recognize the changes in an entity's credit standing (with or without changes in the price of credit) in other comprehensive income, which would be consistent with the IASB's tentative decisions on financial liabilities measured at fair value under the fair value option? Why?

We do not believe in the concept of restating liabilities to Fair Value. If the Board continues with such a policy, any such changes in the Fair Values should be presented in Comprehensive Income as they have nothing to do with operations.

Question 33: Appendix B describes two possible methods for determining the change in fair value of a financial liability attributable to a change in the entity's credit standing (excluding the changes in the price of credit). What are the strengths and weaknesses of each method? Would it be appropriate to use either method as long as it was done consistently, or would it be better to use Method 2 for all entities given that some entities are not rated? Alternatively, are there better methods for determining the change in fair value attributable to a change in the entity's credit standing, excluding the price of credit? If so, please explain why those methods would better measure that change.

	Advantages	Disadvantages
Method 1	Consistently published rating criteria available in United States	Information not available in other countries
	Rating Agencies are slow to change credit standings	For poorer credits spreads do not necessarily reflect actual risks
Method 2	Looking for other entities in industry gives a broad spread of data from traded securities	Credit spreads can changes rapidly Many debt issues are private placements

We believe that it would be appropriate for a valuator to use either method provided it is applied consistently. However, we are not convinced that the whole process is useful in that the information given by separating the amounts of the changes in Fair Value from variations in the entity's credit standing does not appear to justify the substantial cost and effort involved. One possible alternative measure of changes in the credit standing is to look at the pricing of Credit Default Swaps of other entities in the industry taking into account the relevant debt/equity and interest coverage ratios.

Question 34: The methods described in Appendix B for determining the change in fair value of a financial liability attributable to a change in an entity's credit standing (excluding the changes in the price of credit) assume that the entity would look to the cost of debt of other entities in its industry to estimate the change in credit standing, excluding the change in the price of credit. Is it appropriate to look to other entities within an entity's industry, or should some other index, such as all entities in the market of a similar size or all entities in the industry of a similar size, be used? If so, please explain why another index would better measure the change in the price of credit.

We are not aware of any other indices that could be universally used to better measure changes in the price of credit.

Question 35: For financial instruments measured at fair value with qualifying changes in fair value recognized in other comprehensive income, do you believe that the presentation of amortized cost, the allowance for credit losses (for financial assets), the amount needed to reconcile amortized cost less the allowance for credit losses to fair value, and fair value on the face of the statement of financial position will provide decision-useful information? If yes, how will the information provided be used in your analysis of an entity? If not, why?

For financial instruments carried at Fair Value, reconciliation with their amortized costs adds no useful information. On the other hand, knowledge of Fair Values (together with details of the basis and data used for the measurements) adds information to items carried at amortized cost.

Question 36: Do you believe that separately presenting in the performance statement significant changes in the fair value of financial liabilities for changes in an entity's credit standing (excluding the changes in the price of credit) will provide decision-useful information? If yes, how will the information provided influence your analysis of the entity? If not, why? Do you believe that changes in the price of credit also should be included in this amount? If so, why?

We are not convinced that presenting information about changes in Fair Value of liabilities adds useful information to investors, both shareholders and credit granters.

Credit Impairment

Question 37: Do you believe that the objective of the credit impairment model in this proposed Update is clear? If not, what objective would you propose and why?

The Board's position is set out as follows in paragraph 36 of the Exposure Draft:

> *The objective of the guidance related to credit impairment is to establish a model for recognition and measurement of credit impairment of financial assets measured at fair value with qualifying changes in fair value recognized in other comprehensive income on the basis of an entity's expectations about the collectibility of cash flows, including the determination of cash flows not expected to be collected. An entity's expectations about collectibility of cash flows shall include all available information relating to past events and existing conditions but shall not consider potential future events beyond the reporting date.*

We find this situation confusing. The process of measuring financial assets at Fair Value must take into account potential future events beyond the reporting date. Supportable measurement requires analyses of trends with respect to interest rates, as shown by futures markets, and consideration of possible shifts in yield curves based on the current position in the economic cycle. This is now to be prohibited for financial assets but apparently allowed in other situations. Even for assets carried at amortized cost, defining potential losses on long term assets involves considering potential future events as it necessitates preparing projections of future cash flows. The weight ascribed to such prospective information is a matter of professional judgement.

In our view, the statement of the objective could be improved as follows:

"The objective of the guidance related to credit impairment is to establish a model for recognition and measurement of credit impairment of financial assets on the basis of an entity's expectations about their collectability using all reasonably available information, including the determination of cash flows not expected to be collected. An entity's expectations about collectability of cash flows shall include pertinent information relating to past events, existing and expected conditions."

Question 38: The proposed guidance would require an entity to recognize a credit impairment immediately in net income when the entity does not expect to collect all contractual amounts due for originated financial asset(s) and all amounts originally expected to be collected for purchased financial asset(s). The IASB Exposure Draft, *Financial Instruments: Amortised Cost and Impairment* (Exposure Draft on impairment), would require an entity to forecast credit losses upon acquisition and allocate a portion of the initially expected credit losses to each reporting period as a reduction in interest income by using the effective interest rate method. Thus, initially expected credit losses would be recorded over the life of the financial asset as a reduction in interest income. If an entity revises its estimate of cash flows, the entity would adjust the carrying amount (amortized cost) of the financial asset and immediately recognize the amount of the adjustment in net income as an impairment gain or loss. Do you believe that an entity should immediately recognize a credit impairment in net income when an entity does not expect to collect all contractual amounts due for originated financial asset(s) and all amounts originally expected to be collected for purchased financial asset(s) as proposed in this Update, or do you believe that an entity should recognize initially expected credit losses over the life of the financial instrument as a reduction in interest income, as proposed in the IASB Exposure Draft on impairment?

We believe that it is impossible to determine “initially expected credit losses”. Any financial instruments, has the possibility of loss built into its original terms, usually based on statistical or historic results for the portfolio. We do not consider either the Board’s or IASB’s techniques to be fully satisfactory. While the anticipated losses are taken into account when establishing the initial interest rate, they are not directly coupled in practice. Therefore, we recommend that the Board allow unallocated reported “reserves” for general credit losses, as well as direct provisions for specific credit impairments as situations arise.

Question 39: Do you agree that a credit impairment should not result from a decline in cash flows expected to be collected due to changes in foreign exchange rates, changes in expected prepayments, or changes in a variable interest rate? If not, why?

Any reduction in the expected cash flows is a credit impairment and should be so reflected.

Question 40: For a financial asset evaluated in a pool, the proposed guidance does not specify a particular methodology to be applied by individual entities for determining historical loss rates. Should a specific method be prescribed for determining historical loss rates? If yes, what specific method would you recommend and why?

We do not believe that accounting standards should specify particular valuation methodologies.

Question 41: Do you agree that if an entity subsequently expects to collect more cash flows than originally expected to be collected for a purchased financial asset, the entity should recognize no immediate gain in net income but should adjust the effective interest rate so that the additional cash flows are recognized as an increase in interest income over the remaining life of the financial asset? If not, why?

We agree with the Board’s position.

Question 42: If a financial asset that is evaluated for impairment on an individual basis has no indicators of being individually impaired, the proposed guidance would require an entity to determine whether assessing the financial asset together with other financial assets that have similar characteristics indicates that a credit impairment exists. The amount of the credit impairment, if any, would be measured by applying the historical loss rate (adjusted for existing economic factors and conditions) applicable to the group of similar financial assets to the individual financial asset. Do you agree with this requirement? If not, why?

We concur that a general unspecified reported reserve based on historic measures, should be maintained against all financial instruments.

Question 43: The credit impairment model in this proposed Update would remove the probable threshold. Thus, an entity would no longer wait until a credit loss is probable to recognize a credit impairment. An entity would be required to recognize a credit impairment immediately in net income when an entity does not expect to collect all of the contractual cash flows (or, for purchased financial assets, the amount originally expected). This will result in credit impairments being recognized earlier than they are under existing U.S. GAAP. Do you believe that removing the probable threshold so that credit impairments are recognized earlier provides more decision-useful information?

Our view is that the probable threshold should continue to apply to specific provisions against individual financial investments as long as there is also a suitable unallocated reported general statistically based reserve.

Question 44: The proposed guidance would require that in determining whether a credit impairment exists, an entity consider all available information relating to past events and existing conditions and their implications for the collectibility of the cash flows attributable to the financial asset(s) at the date of the financial statements. An entity would assume that the economic conditions existing at the end of the reporting period would remain unchanged for the remaining life of the financial asset(s) and would not forecast future events or economic conditions that did not exist at the reporting date. In contrast, the IASB Exposure Draft on impairment proposes an expected loss approach and would require an entity to estimate credit losses on the basis of probability-weighted possible outcomes. Do you agree that an entity should assume that economic conditions existing at the reporting date would remain unchanged in determining whether a credit impairment exists, or do you believe that an expected loss approach that would include forecasting future events or economic conditions that did not exist at the end of the reporting period would provide more decision-useful information?

We strongly disagree that an entity should be required to assume that economic conditions at the reporting date remain unchanged; they vary rarely do. Therefore we prefer, but do not recommend, IASB's expected loss approach.

Question 45: The proposed guidance would require that an appropriate historical loss rate (adjusted for existing economic factors and conditions) be determined for each individual pool of similar financial assets. Historical loss rates would reflect cash flows that the entity does not expect to collect over the life of the financial assets in the pool. Do you agree with that approach?

We concur that a statistically based portfolio (pool) historic loss rate is a suitable measure of potential financial instrument credit impairment losses.

Question 46: The proposed guidance would require that in determining whether a credit impairment exists, an entity consider all available information relating to past events and existing conditions and their implications for the collectibility of the cash flows attributable to the financial asset(s) at the date of the financial statements. An entity would assume that the economic conditions existing at the end of the reporting period would remain unchanged for the remaining life of the financial asset(s) and would not forecast future events or economic conditions that did not exist at the reporting date. In contrast, the IASB Exposure Draft on Impairment proposes an expected loss approach and would require an entity to estimate credit losses on basis of probability-weighted possible outcomes. Do you agree that an entity should assume that economic conditions existing at the reporting date would remain unchanged in determining whether a credit impairment exists, or do you believe that an expected loss approach that would include forecasting future events or economic conditions that did not exist at the end of the reporting period would be more appropriate? Are both methods operational? If not, why?

As set out in the answers to Question 44, we do not believe that entities should be required to assume that existing economic conditions remain unchanged; they rarely do. We therefore prefer the expected loss approach. Both methods could be operational with difficulty.

Question 47: The proposed guidance would require that an appropriate historical loss rate (adjusted for existing economic factors and conditions) be determined for each individual pool of similar financial assets. Historical loss rates would reflect cash flows that the entity does not expect to collect over the life of the financial assets in the pool. Would such an approach result in a significant change in practice (that is, do historical loss rates typically reflect cash flows that the entity does not expect to collect over the life of the financial assets in the pool or some shorter period)?

In our view, historic loss typically reflects the cash flows the entity does not expect to receive.

Interest Income

Question 48: The proposed guidance would require interest income to be calculated for financial assets measured at fair value with qualifying changes in fair value recognized in other comprehensive income by applying the effective interest rate to the amortized cost balance net of any allowance for credit losses. Do you believe that the recognition of interest income should be affected by the recognition or reversal of credit impairments? If not, why?

We believe that the interest income on a financial asset is “what it is”, i.e. the amount contractually received or receivable. Any other changes are impairments.

Question 49: Do you agree that the difference in the amount of interest contractually due that exceeds interest accrued on the basis of an entity’s current estimate of cash flows expected to be collected for financial assets should be recognized as an increase to the allowance for credit losses? If not, why?

We believe that interest income should be recorded as described in the answer to Question 48 and that any reduction in the accrual should be treated as an increase in the provision.

Question 50: The proposed guidance would permit, but would not require, separate presentation of interest income on the statement of comprehensive income for financial assets measured at fair value with all changes in fair value recognized in net income. If an entity chooses to present separately interest income for those financial assets, the proposed guidance does not specify a particular method for determining the amount of interest income to be recognized on the face of the statement of comprehensive income. Do you believe that the interest income recognition guidance should be the same for all financial assets?

We believe the interest income guidance should be the same for all financial assets.

Question 51: Do you believe that the implementation guidance and illustrative examples included in this proposed Update are sufficient to understand the proposed credit impairment and interest income models? If not, what additional guidance or examples are needed?

The examples should take into account previous comments and all of them explain how every item has been calculated.

Question 52: Do you believe that the method for recognizing interest income on financial assets measured at fair value with qualifying changes in fair value recognized in other comprehensive income will provide decision-useful information? If yes, how will the information provided be used in your analysis of an entity? If not, why?

See answers to Question 48 and 49.

Question 53: The method of recognizing interest income will result in the allowance for credit impairments presented in the statement of financial position not equaling cumulative credit impairments recognized in net income because a portion of the allowance will reflect the excess of the amount of interest contractually due over interest income recognized. Do you believe that this is understandable and will provide decision-useful information? If yes, how will the information provided be used? If not, why?

We believe that interest income should be shown gross and the allowance for credit impairments should be reconciled directly to the amounts charged to income and the losses actually incurred.

Question 54: The proposed guidance would require interest income to be calculated for financial assets measured at fair value with qualifying changes in fair value recognized in other comprehensive income by applying the effective interest rate to the amortized cost balance net of any allowance for credit losses. Thus, the recognition of a credit loss would result in a decrease in interest income recognized. Similarly, a reversal of a previously recognized credit loss would increase the amount of interest income recognized.

The IASB Exposure Draft on Impairment proposes that an entity calculate interest by multiplying the effective rate established at initial recognition by the amortized cost basis. The IASB's definition of *amortized cost basis* is the present value of expected future cash flows discounted by the effective interest rate established at initial recognition and, therefore, includes credit losses recognized to date. Thus, as initially expected credit losses are allocated over the life of the instrument, the amount of interest income decreases.

Both the FASB's and the IASB's models for interest income recognition are similar in that the recognition of an impairment reduces the amount of interest income recognized. However, as noted in the questions above, the timing of credit impairments and the determination of the effective interest rate differ in the two proposed models. Thus, the amount of interest income recognized under the two proposed models will differ. Do you believe that the FASB's model or the IASB's model provides more decision-useful information? Why?

We believe that neither of the boards new models is suitable. Interest income should be based on the terms of the instrument, while impairment losses ought to reflect the historic and actual experiences. They are not directly related. See answers to previous questions.

Question 55: Do you agree that an entity should cease accruing interest on a financial asset measured at fair value with qualifying changes in fair value recognized in other comprehensive income if the entity's expectations about cash flows expected to be collected indicate that the overall yield on the financial asset will be negative? If not, why?

See answer to Question 54.

Hedge Accounting

Question 56: Do you believe that modifying the effectiveness threshold from *highly effective* to *reasonably effective* is appropriate? Why or why not?

We agree that the modification is appropriate.

Question 57: Should no effectiveness evaluation be required under any circumstances after inception of a hedging relationship if it was determined at inception that the hedging relationship was expected to be reasonably effective over the expected hedge term? Why or why not?

Once a hedging relationship is put into effect, it should be allowed to continue until terminated

Question 58: Do you believe that requiring an effectiveness evaluation after inception only if circumstances suggest that the hedging relationship may no longer be reasonably effective would result in a reduction in the number of times hedging relationships would be discontinued? Why or why not?

We believe that the proposed changes will reduce the number of hedging relationship discontinued.

Question 59: Do you believe that a hedge accounting model that recognizes in net income changes in the fair value and changes in the cash flows of the risk being hedged along with changes in fair value of the hedging instrument provides decision-useful information? If yes, how would that information be used? If not, why?

The objective of hedging is to offset risks and hence reduce volatility in cash flows or Fair Values. Therefore the gains and losses on the hedges should be netted against those on the Actuals.

Question 60: Do you believe that the proposed changes to the hedge accounting model will provide more transparent and consistent information about hedging activities? If yes, why and how would you use the information provided? If not, what changes do you disagree with and why?

We concur that the proposed hedge accounting model will provide more transparent and consistent information.

Question 61: Do you foresee any significant operational concerns or constraints in calculating ineffectiveness for cash flow hedging relationships? If yes, what constraints do you foresee and how would you alleviate them?

It is often very difficult to calculate the effectiveness or ineffectiveness of cash flow hedging relationships; the proposed changes will reduce such difficulties.

Question 62: Do you foresee any significant operational concerns or constraints in creating processes that will determine when changes in circumstances suggest that a hedging relationship may no longer be reasonably effective without requiring reassessment of the hedge effectiveness at each reporting period? If yes, what constraints do you foresee and how would you alleviate them?

We believe that once it is established that a hedges initially meets the effectiveness test, it should be adhered to continually without any subsequent re-testing until terminated.

Question 63: Do you foresee any significant operational concerns or constraints arising from the inability to discontinue fair value hedge accounting or cash flow hedge accounting by simply dedesignating the hedging relationship? If yes, what constraints do you foresee and how would you alleviate them?

We believe that a hedge accounting should be altered to be discontinued at any time. There should be no ability to reinstate the previous situation.

Question 64: Do you foresee any significant operational concerns or constraints arising from the required concurrent documentation of the effective termination of a hedging derivative attributable to the entity's entering into an offsetting derivative instrument? If yes, what constraints do you foresee and how would you alleviate them?

Hedges should be allowed to continue until terminated. An offsetting derivative instrument should be considered speculative until the properly instituted hedge is declared terminated.

Disclosures

Question 65: Do you agree with the proposed disclosure requirements? If not, which disclosure requirement do you believe should not be required and why?

We agree with the proposed disclosure requirements.

Question 66: For purchased financial assets, do you believe that the requirement to disclose the principal balance, the purchaser's assessment of the discount related to credit losses inherent in the financial instrument at acquisition, any additional difference between the amortized cost and the principal balance, and the amortized cost in each period will provide decision-useful information? If yes, how will the information provided influence your analysis of an entity? If not, why?

We do not believe that special information is required for purchased financial instruments. The transaction price may be at a discount or premium depending on market conditions. The amortization of the costs deals with the situation.

Question 67: Are there any other disclosures that you believe would provide decision-useful information and why?

We recommend no additional disclosures.

Effective Date and Transition

Question 68: Do you agree with the transition provision in this proposed Update? If not, why?

We believe that the new rules should be prospective and no restatement should be required.

Question 69: Do you agree with the proposed delayed effective date for certain aspects of the proposed guidance for nonpublic entities with less than $1 billion in total consolidated assets? If not, why?

We see no need to establish a delayed effective date for entities that represent a majority of deposit taking institutions in the United States.

Question 70: How much time do you believe is needed to implement the proposed guidance?

A period of at least 36 months seems desirable.

Question 71: Do you believe the proposed transition provision is operational? If not, why?

See answer to Question 68.

Should you wish to discuss this matter further, a member of your staff may contact the writer in Toronto, at 416-865-9766.

Respectfully submitted on behalf or the IFRS Committee of IACVA
Per

James P. Catty, MA, CA•CBV, CPA/ABV, CVA, CFA, CFE – IACVA Chair
Samuel Chan, MBA, CVA, CM&AA, CEPA – IACVA China
Richard Goeldner, ASA, CBA – IBA USA
Mark Hanson, BS, CPA/ABV, CVA – NACVA USA
Stan Hu, CPA (Tw), CVA – IACVA Taiwan
Wolfgang Kniest, Dipl-KFM, CVA – IACVA Germany
Bennet Kpentey, MA, CVA, CPC – IACVA Ghana