



Date: 3 October 2008

Ref: CESR/08-798

PRESS RELEASE

CESR publishes a Statement on fair value measurement and related disclosures of financial instruments in illiquid markets

CESR publishes today a Statement entitled “Fair value measurement and related disclosures of financial instruments in illiquid markets” (Ref. CESR/08-713b). This Statement allows CESR, as an organisation composed of securities regulators and enforcers, to stress the importance of appropriate application of measurement and disclosure requirements. This statement follows a consultation which was launched in mid July and closed in mid September. CESR received 34 responses (available under the section consultations on CESR’s website unless the respondee has requested confidentiality).

CESR’s Statement has several objectives. It will form the basis for the requested contribution by CESR to the ECOFIN Council and in addition, will assist preparers and auditors when preparing the next financial statements. Furthermore CESR notes, some positive developments that have taken place since the publication of its Consultation Paper. First, CESR Members have identified improvements in the disclosures included in the latest interim financial statements published. Second, CESR also welcomes the progress made by the Expert Advisory Panel of the IASB on the issues discussed in CESR’s Consultation Paper. In this respect, as suggested by many respondents to the consultation, CESR is submitting the Statement today to the Panel and anticipates that the IASB will take this statement into consideration when deciding the way forward on the topics analysed by CESR. The Statement covers issues dealing with measurement and related disclosures of financial instruments in illiquid markets. For a summary of the areas covered in the Statement please refer to the press release published on 10 July 2008 (CESR/08-522).

CESR acknowledges that the competence of setting standards; formally interpreting standards and, issuing general interpretation of existing standards, lies with the IASB/IFRIC. Moreover, in this Statement CESR takes no position on possible amendments to the current accounting framework. Rather, CESR wants to underline that this Statement should not be understood as constituting guidance or recommendations on IFRS. The work conducted by CESR remains under the domain of application of current IFRS, as CESR Members’ role regarding IFRS is the enforcement of financial information. At the same time, as securities regulators, CESR Members must ensure that issuers fulfil all information obligations under the requirements of the Transparency and the Market Abuse Directive and as such have a clear role to play. CESR stresses that this Statement is not directly enforceable, but should be viewed as an input to help improving issuers practices regarding measurement and related disclosures of financial instruments in illiquid markets.

CESR has taken the responses received during the consultation into consideration and has revised its proposals in the final document published today. Overall, respondents considered that the Consultation Paper contained helpful suggestions to assist preparers of financial statements to comply more effectively and consistently with the requirements of IFRS in this area, given the recent illiquidity in many financial markets. In particular, respondents requested CESR to submit the statement to the Expert Advisory Panel of the IASB and CESR has responded to this request by forwarding this Statement as a contribution to the IASB today (letter to the IASB, CESR/08-796). Generally respondents agreed with CESR statements in the Consultation Paper although many commentators have raised detailed points that have in some cases lead CESR to fine tune or clarify its views in the Statement,.

In addition, CESR will publish a feedback statement shortly, providing more detailed comments in response to the issues raised by the respondents to the consultation.



CESR will continue monitoring the work of the IASB's Expert Advisory Panel and the IASB reaction on the issues discussed in the Statement. CESR will also monitor other activities regarding measurement and disclosures linked to fair value accounting for financial instruments in the future and may in this connection, consider a more in-depth analysis. CESR may also consider analysing the application of additional disclosure requirements other than those about measurement and related disclosures of financial instruments in illiquid markets.

In addition, as indicated, CESR is currently coordinating a joint response to the ECOFIN Council with the other two Level Three Committees (CEBS and CEIOPS), following the Council's request in October 2007. This response will be developed on the basis of the individual reports that the three committees have already released regarding fair value accounting in illiquid markets.



Notes for editors:

CESR is an independent Committee of European Securities Regulators. The role of the Committee is to:

- Improve co-ordination among securities regulators;
- Act as an advisory group to assist the EU Commission, in particular in its preparation of draft implementing measures in the field of securities;
- Work to ensure more consistent and timely day to day implementation of community legislation in the Member States.
- The Committee was established under the terms of the European Commission's decision of 6 June 2001 (2001/1501/EC). It is one of the two committees envisaged in the Final Report of the Group of Wise Men on the regulation of European securities markets. Baron Alexandre Lamfalussy chaired this group. The report itself was endorsed by the European Council and the European Parliament. The relevant documents are available on the CESR website.

Each Member State of the European Union has one member in the Committee. The members are nominated by the Member States and are the heads of the national public authorities competent in the field of securities. The European Commission has nominated the Director General of the DG Market, as its representative. Furthermore, the securities authorities of Norway and Iceland are also represented at a senior level.

Within CESR, the operational group CESR-Fin chaired by Fernando Restoy, Executive Board Member of the Spanish securities authority –the CNMV, has been charged with the preparation of the CESR's Statement on fair value measurement of illiquid financial instruments in listed companies.

Further information:

Carlo Comporti
Secretary General of CESR

or
Victoria Powell
Director of Communications

Tel: +33 (0) 1.58 36 43 21
Fax: +33 (0) 1.58 36 43 30
Email: secretariat@cesr.eu
Web site: www.cesr.eu