BELGIAN ACCOUNTING STANDARDS BOARD

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

correspondent	Our reference	Your reference	Date
Ignace Bogaert Tel: +32(2)277 61 74 Ignace.bogaert@cnc-cbn.be	**C-078**		July 20th 2010

Dear Sir, Madam,

Invitation to comment – IASB ED *Measurement Uncertainty Analysis Disclosure for Fair Value Measurements*

The Belgian Accounting Standards Board (BASB) is pleased to respond to the Exposure Draft on Measurement uncertainty analysis disclosure for fair value issued by the IASB (the "Board") on 29 June 2010 (hereinafter the "ED").

The May 2009 ED proposed that an entity must disclose information that helps users of its financial statements assess the valuation techniques and inputs used to measure an asset or liability at fair value. In addition, the May 2009 ED proposed that an entity must provide a measurement uncertainty analysis for items measured at fair value in the statement of financial position that are classified within Level 3 of the fair value hierarchy.

That is, the May 2009 ED proposed that if different unobservable inputs could have reasonably been used in place of one or more of the unobservable inputs actually used to estimate fair value, and those unobservable inputs would have changed fair value significantly, the entity would be required to state that fact. The entity would also be required to disclose the effect on fair value of using those different unobservable inputs, and how such effect was calculated.

The June 2010 ED proposes that the effect of correlation between unobservable inputs must be considered in this analysis, if such correlation is relevant when estimating the effect of using those different unobservable inputs on the fair value measurement. That is, when a change in one unobservable input would affect one or more of the other unobservable inputs used, that correlation must be considered when determining the amount by which fair value might have changed, had a different unobservable input been used.

With respect to the June 2010 ED proposed changes, the BASB does not fully support the inclusion of the correlation analysis between unobservable inputs as we are of the opinion that this type of disclosure will mainly increase the administrative burden for preparers and will provide limited additional insights to the different stakeholders.

Our answers to the specific questions raised in the ED are included in the attached appendix to this letter. Should you wish to discuss the content of this letter with us, please contact Jan Verhoeye at jan.verhoeye@cnc-cbn.be.

Yours faithfully,

Jan Verhoeye
Chairman BASB

Appendix 1

Question 1 Are there circumstances in which taking into account the effect of the correlation between unobservable inputs (a) would not be operational (e.g. for cost-benefit reasons) or (b) would not be appropriate? If so, please describe those circumstances.

From a Belgian point-of-view, mainly financial institutes and private equity companies have Level 3 financial instruments on their statement of financial position. The BASB welcomes the initiative of the Board, stated in the May 2009 ED, to include fair value measurement information on the different unobservable inputs that a reporting entity might have chosen from in order to measure fair value.

With respect to the correlation between unobservable inputs, as stated in the June 2010 ED, we would have expected that the Board included more guidance on how the correlation between those unobservable inputs should be determined. Indeed, assume an entity holds several unquoted equity instruments classified as fair value through OCI under IFRS 9, the determination of the fair value is mainly based on EBITDA evolutions multiplied with a specific peer multiple. The EBITDA derived from the financial statements will normally be correlated to the evolution of the peer multiple applied for the determination of the fair value; however, we are of the opinion that by disclosing this correlation the user of the financial statements does not obtain any further insights in the fair value evolution as the correlation is straightforward and will only create an additional burden for the preparers.

With respect to Example 1 included in the ED, we question whether the Level 3 classification for Investment Properties is appropriate. It states that the fair value of the related investment properties is based on comparable property values and thus one could conclude that a Level 2 classification (i.e. based on observable market inputs) seems justifiable as well.

Question 2 If the effect of correlation between unobservable inputs were not required, would the measurement uncertainty analysis provide meaningful information? Why or why not?

The BASB believes that the proposals in the May 2009 ED are sufficient and provide enough information on fair value measurement to the users of the financial statements.

We refer to our example in question 1 and question whether the calculation of a correlation between unobservable inputs will provide meaningful information. The BASB supports the initiative of the Board to disclose fair value measurement information and the existence of other unobservable inputs.

Question 3 Are there alternative disclosures that you believe might provide users of financial statements with information about the measurement uncertainty inherent in fair value measurements categorised within Level 3 of the fair value hierarchy that the Board should consider instead? If so, please provide a description of those disclosures and the reasons why you think that information would be more useful and more cost-beneficial.

We are of the opinion that if an entity could measure fair value for Level 3 instruments using a different measurement approach, the reporting entity should disclose the alternative fair value and explain / justify why the alternative approach was rejected by the preparer of the financial statements. If a reporting entity would change from valuation methodology from on year to another, the reporting entity should also justify this change.
Secondly, we also believe that a reporting entity should also disclose the relative subjectivity and limitations of the unobservable inputs. In this context we would encourage the Board to provide more guidance in the ED.