



International Accounting Standards Board®

Press Release

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IASB provides update on steps taken in response to the global financial crisis

This week, the International Accounting Standards Board (IASB), as part of its response to the global financial crisis, has taken a series of actions to address recommendations made by the G20 leaders last month:

- **Improved accounting for off balance sheet items:** On Thursday 18 December the IASB published proposals to strengthen and improve the requirements for identifying which entities a company controls. Further proposals on off balance sheet items, covering the derecognition of assets and liabilities, are due to be published towards the end of the first quarter of 2009, consistently with the G20 target date of 31 March 2009.
- **New disclosure requirements related to impairment:** The IASB and the US Financial Accounting Standards Board (FASB) are both proposing changes in disclosure requirements for impairments in order to arrive at a common outcome. The proposals will enable companies to disclose the profit or loss that would have been recorded if all financial assets (other than those categorised at fair value through profit or loss) had been measured using amortised cost (ie using an incurred cost model) or all had been measured using fair value. The boards are publishing their exposure drafts next week and are asking for comments by mid-January. This will enable any possible change to take effect for 2008 year-end accounts.
- **Acceleration of efforts to address broader issues of impairment on a globally consistent basis:** Both the IASB and the FASB, whose respective standards have different impairment requirements, have asked their staff to consider together how existing requirements relating to reversals of impairment losses might be changed, and to report back to the boards in the next month. The boards will also address the whole question of impairment as part of an urgent broader project in 2009, and this

will also be a topic for consideration by the Financial Crisis Advisory Group (FCAG).

- **Ensuring consistent treatment of accounting for particular credit-linked investments between US generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs):** Some stakeholders have called for the need to clarify any possible difference in the accounting treatment between IFRSs and US GAAP. The FASB is planning to issue mandatory implementation guidance, and will publish the draft guidance shortly. The guidance will ensure consistency between IFRS and US GAAP—an objective supported by G20 leaders.
- **Ensuring embedded derivatives are assessed and separated if financial assets are reclassified:** Following requests from some stakeholders at the recently convened FASB-IASB round tables, the IASB is also planning to publish next week an exposure draft with a 30-day comment period that proposes clarifying that all embedded derivatives should be assessed and, if necessary, separately accounted for in financial statements. Participants in the round tables asked the IASB to act in order to prevent any diversity in practice developing as a result of the amendments made to IAS 39 *Financial Instruments* in October 2008 to permit the reclassification of particular financial assets.
- **Considering fully other issues related to financial instruments, including the fair value option, raised at the recent series of round tables in London, New York, and Tokyo:** Round-table participants supported reconsideration of the fair value option alongside a broader reconsideration of the classification categories. At the same time, almost all the users of financial statements at the round tables said that permitting reclassification out of the fair value option now, without proper consideration of all the issues, would not improve financial reporting or enhance investors' confidence in financial markets—reclassifications out of the fair value option would permit losses to be hidden. Both boards find the views of those user participants compelling and believe that any change in the fair value option should be made only as part of a broader examination of accounting for financial instruments.

Indeed, participants saw an urgent need for such a broader examination by the IASB and the FASB of the role of fair value measurement for financial instruments, including the issues of improving the impairment requirements, classification issues, the fair value option, and transfers between the categories. The boards have agreed to fast track this urgent project, which could involve significant changes to IAS 39 and the relevant US standards. Given the urgency of the matter, the boards' intention is to work to finish this project in a matter of months rather than years.

The decisions taken by the boards this week follow earlier action detailed below:

- an IASB amendment to permit reclassifications of financial assets under certain circumstances (13 October),
- proposals to enhance disclosures of financial instruments (15 October),
- publication of guidance for the application of fair value in illiquid markets (31 October), and
- the establishment of a joint FCAG, chaired by Harvey Goldschmid, a former commissioner of the US Securities and Exchange Commission, and Hans Hoogervorst, chairman of the Netherlands Authority for the Financial Markets. This group will meet several times in the first quarter of 2009.

Commenting on the work completed this week and the IASB's response to the financial crisis more generally, Sir David Tweedie, Chairman of the IASB, said:

The IASB continues to move quickly to address financial reporting issues highlighted by the global economic crisis. G20 leaders have called for a globally co-ordinated response. We are committed to developing globally consistent approaches with our colleagues at the US FASB in order to serve the interests of investors and other users of financial information. We will act as speedily as possible, consistently with robust due process, to ensure that the outcomes are themselves robust and well respected.

For more information on the IASB's response to the financial crisis, please refer to the online version of this press release on www.iasb.org. The online version comprises links to all relevant additional material inclusive of the G20 communiqué, an update on the IASB's response to the G20 conclusions, letters received and additional information on the public

round tables on the financial crisis and links to relevant consultation documents or amendments to standards.

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Press enquiries:

Mark Byatt, Director of Corporate Communications, IASB,
telephone: +44 (0)20 7246 6472, email: mbyatt@iasb.org

Sonja Horn, Communications Adviser, IASB,
telephone: +44 (0)20 7246 6463, email: shorn@iasb.org

Notes for editors

About the IASB

The IASB was established in 2001 and is the standard-setting body of the International Accounting Standards Committee (IASC) Foundation, an independent private sector, not-for profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. Its 14 members (12 of whom are full-time) are drawn from nine countries and have a variety of professional backgrounds. They are appointed by and accountable to the Trustees of the IASC Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience.