



International Accounting Standards Board®

# Press Release

FOR IMMEDIATE RELEASE

16 June 2005

## **IASB issues amendment to the fair value option in financial instruments standard**

The International Accounting Standards Board (IASB) today issued an amendment to the fair value option in IAS 39 *Financial Instruments: Recognition and Measurement*.

The IASB developed this amendment after commentators, particularly prudential supervisors of banks, securities companies and insurers, raised concerns that the fair value option contained in the 2003 revisions of IAS 39 might be used inappropriately. The option allowed entities to designate irrevocably on initial recognition *any* financial instruments as ones to be measured at fair value with gains and losses recognised in profit or loss. The purpose of the option was to simplify the application of the standard.

Following publication of an exposure draft and extensive consultation with interested parties, the IASB has decided to revise the fair value option by limiting its use to those financial instruments that meet certain conditions.

Introducing the amendment, Sir David Tweedie, IASB Chairman, said:

The amendment issued today addresses many of the concerns raised by the prudential regulators about the fair value option contained in the 2003 revisions of IAS 39. The amendment is the result of extensive consultations with those most closely affected and we greatly appreciate the co-operation of all the parties involved during the consultation period.

The primary means of publishing Standards and amendments to Standards is by electronic format through the IASB's subscriber Website. Subscribers to the IASB's Comprehensive Subscription Service are able to access the amendment published today through the secure

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Printed copies of Amendments to IAS 39 *Financial Instruments: Recognition and Measurement—The Fair Value Option* (ISBN 1-904230-80-6) are available at £15 each, including postage, from IASCF Publications Department (order copies online through the IASCF shop: [www.iasb.org](http://www.iasb.org)).

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## NOTES TO EDITORS

### About the Amendment

1. IAS 39 *Financial Instruments: Recognition and Measurement* is the international accounting standard on the recognition and measurement of financial instruments.
2. The amendment permits the irrevocable designation on initial recognition of financial instruments that meet certain conditions as ones to be measured at fair value through profit or loss.
3. The conditions that are required to be met under the amendment are where such designation eliminates or significantly reduces an accounting mismatch, when a group of financial assets, financial liabilities or both are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management or

investment strategy, and when an instrument contains an embedded derivative that meets particular conditions.

4. Lastly, the amendment contains detailed transition rules. It has an effective date of 1 January 2006, although earlier application is encouraged.

### **About the IASB**

5. The IASB, based in London, began operations in 2001. It is funded by contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The 14 IASB members (12 of whom are full-time) are drawn from nine countries and have a variety of professional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB co-operates with national accounting standard-setters to achieve convergence in accounting standards around the world.
6. A Deloitte & Touche study indicates that 94 countries either require or permit the use of IFRSs for publicly traded companies beginning in 2005. Some other jurisdictions, including Australia, New Zealand, the Philippines and Singapore, base their national practices on international standards. In September 2002 the IASB and the US standard-setter, the Financial Accounting Standards Board, reached an agreement to work towards the convergence of existing US and international practices and the joint development of future standards. In October 2004, the IASB and the Accounting Standards Board of Japan agreed to initiate discussions about a joint project to minimise differences between IFRSs and Japanese accounting standards towards a final goal of convergence of their standards. In January 2005 the two boards announced their agreement to launch a joint project to reduce differences between IFRSs and Japanese accounting standards, and in March the boards met to decide on the initial programme of work for the project.