

14 October 2008

Mr. Jeroen Hooijer and Mr David Tyrell,
Accounting Regulatory Committee

Dear Messrs Hooijer and Tyrell,

Re: Amendments to International Accounting Standards no 39 (IAS 39)

As a global body representing 97,000 investment professionals – with approaching 12,000 practicing members across the European Union – CFA Institute in liaison with the Investment Management Association (IMA) would like to express our strong reservation about any possible intervention from the European regulatory or legislative institutions that could result in further amendments or carve-outs to the current language of IAS 39. Any such measure would be **inconsistent with the articulated objective of simply levelling the playing field** across key capital markets i.e. the EU and US.

In the proposed response¹ to the financial crisis, ECOFIN has underlined the necessity of avoiding any distortion of treatment between European and US banks due to differences in accounting rules. This approach follows from the articulation of point 9 in the communiqué from the European leaders' Paris meeting. In principle the goal of levelling the playing field would seem to be consistent with the objective of obtaining comparable financial statements. The question remains whether comparability levels that are consistent with the goal of transparency for investors will be achieved.

During its meeting on 13th October 2008, the International Accounting Standards Board (IASB) enacted changes to International Accounting Standards no 39 (IAS 39); *Recognition and Measurement of Financial Instruments*. These changes affect the reclassification of financial instruments accounted for under the 'trading' and 'available for sale' categories. We see the changes as aiming to achieve the ECOFIN goal of having cross border consistency of financial reporting during this market crisis. There do remain some outstanding issues for example, the inconsistencies in impairment rules. We are also concerned about the interpretation of 'rare' as a basis of classification from the trading category and that this could result in diversity in the application of rules and therefore reduce comparability.

Following the changes enacted by the IASB, we believe the immediate focus should be to address the outstanding differences in the accounting treatment for similar financial instruments held by institutions in the EU and US. The frame of reference in levelling the playing field should be to ensure utmost transparency for investors in how financial instruments are accounted for in both key capital markets. We urge both the IASB and FASB in conjunction with European regulatory authorities to work together in this regard so as to ensure the true comparability alongside transparency of financial institution reports.

We strongly urge there to be no further amendments or carve-outs that go beyond the objective of aligning IFRS to US GAAP on this particular accounting issue. Any carve-outs could significantly undermine investor interests by yielding even more incomparable financial statements and contrary to

¹ Immediate responses to financial turmoil Council Conclusions-Ecofin Council of 7 October 2008



stated objectives, will precipitate the investor loss of confidence as evidenced from CFA Institute membership surveys².

Sincerely,

/s/ Nitin Mehta

Nitin Mehta,
Managing Director,
CFA Institute,
EMEA Office

/s/Jane Fuller

Jane Fuller,
Chair of Accountancy Advocacy
Committee,
CFA (UK)

/s/Liz Murrall

Liz Murrall,
Director Corporate
Governance and Reporting,
Investment Management
Association (IMA)

About CFA Institute

The CFA Institute Centre³ represents the views of its members, including portfolio managers, investment analysts, and advisors, worldwide. Central tenets of the CFA Institute Centre mission are to promote fair and transparent global capital markets, and to advocate for investor protection. An integral part of our efforts toward meeting those goals is ensuring that the quality of corporate financial reporting and disclosures provided to investors and other end users is of high quality. The CFA Institute Centre also develops, promulgates, and maintains guidelines encouraging the highest ethical standards for the global investment community through standards such as the *CFA Institute Code of Ethics and Standards of Professional Conduct*.

About IMA

IMA represents the asset management industry operating in the UK. Our members include independent fund managers, the investment arms of retail banks, life insurers and investment banks, and the managers of occupational pension schemes. They are responsible for the management of £3.4 trillion of assets, which are invested on behalf of clients globally. In particular, the Annual IMA Asset Management Survey shows that in 2007, IMA members managed holdings amounting to 44% of the domestic equity market.

² Our survey of membership in the EU showed that 79% were opposed to suspension of fair value and 85% believe that suspending fair value would decrease investor confidence in the banking system

³ The CFA Institute Centre for Financial Market Integrity is part of CFA Institute. With headquarters in Charlottesville, VA, and regional offices in New York, Hong Kong, and London, CFA Institute is a global, not-for-profit professional association of more than 97,000 investment analysts, portfolio managers, investment advisors, and other investment professionals in 134 countries, of whom nearly 83,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 136 member societies in 57 countries and territories.