CFA UK is a member society of

Wayne Upton
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

7th September 2009

Response to DP on credit risk in liability measurement

Dear Mr Upton,

The CFA Society of the UK (CFA UK) represents the interests of more than 8,500 leading members of the UK investment profession. The society, which was founded in 1955, is one of the largest member societies of CFA Institute and is committed to leading the development of the investment profession through the promotion of the highest ethical standards and through the provision of continuing education, advocacy, information and career support on behalf of its members.

The society's advocacy activities are directed by the Accounting Advocacy and Investment Profession Advocacy committees which are wholly composed of CFA UK members working in the investment profession. CFA UK supports the CFA, Associate (ASIP) and IMC designations. Most members hold either the Chartered Financial Analyst (CFA), or Associate designation. CFA Institute is best known for developing and administering the CFA Program curriculum and examinations and issuing the CFA Charter. CFA Institute's mission is to lead the investment profession globally by setting the highest standards of ethics, education and professional excellence.

Most CFA UK members also belong to the CFA Institute and reaffirm annually their adherence to its Code of Ethics and Standards of Professional Conduct. Both CFA UK and CFA Institute are committed to providing members with a wide range of continuing education opportunities. All members are encouraged to undertake ongoing post-qualification continuing education.

In addition, CFA UK is the awarding body for the IMC, the benchmark entry-level qualification for those working in investment management in the UK. The examination is accredited by the Qualifications and Curriculum Authority (QCA) and is designated a recommended examination by the Financial Services Skills Council (FSSC) for the purposes of the Financial Services Authority's training and competence requirements. The IMC is held by more than 15,000 investment professionals.

General comments

The society's Accounting Advocacy committee is aware that the deadline for submissions related to this issue has passed.

However, while the committee does not wish to submit detailed responses to the questions included in the discussion paper, it does wish to make its views known to the IASB.

The committee's view is that initial measurement of a liability should take place at an observable transaction, or issue, cost and will, as a consequence, include credit risk. The committee believes that subsequent measurement should not include changes in credit risk. This view is based on the belief that the objective of a current value measure of future payments is to reflect today's value of the future cash outflows expected to settle a liability when it falls due. As such, it is not appropriate for the liability to be reduced or increased to reflect changes in credit risk. Including credit risk gives rise to counter-intuitive outcomes such as those that have been seen in bank financial reports in recent times. Measurements that take account of changes in credit risk allow observation of the degree to which the market's expectation of the likelihood of full payment has changed. This is useful information that may be disclosed in notes or commentary, but such an approach for the income statement and balance sheet would be inconsistent with the going concern assumption under which accounts are prepared.

We hope that these comments have been useful and would be pleased to provide additional feedback in future.

Yours,

Jane Fuller, Chair Accounting Advocacy Committee

Will Goodhart, Chief Executive