

**COMMISSION de SURVEILLANCE
du SECTEUR FINANCIER**

In case of discrepancies between the French and the English text, the French text shall prevail

Luxembourg, 11 November 2008

To all the persons concerned

CIRCULAR CSSF 08/377

Re: Emergency measures taken in accounting in order to mitigate the consequences of the recent turbulence in financial markets

Ladies and Gentlemen,

The purpose of this circular is to draw your attention to the emergency measures taken in accounting in order to mitigate the consequences of the recent turbulence in financial markets.

1. Amendments¹ to the IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 7 (Financial Instruments: Disclosures) accounting standards adopted by the International Accounting Standards Board (IASB) on 13 October 2008

On 15 October 2008, the European Commission adopted the amendments to the IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 7 (Financial Instruments: Disclosures) accounting standards adopted by the IASB on 13 October 2008.

The amendments to IAS 39 introduce the possibility of reclassifications for companies applying International Financial Reporting Standards (IFRS), which were already permitted under US Generally Accepted Accounting Principles in rare circumstances. The amendments to IFRS 7 introduce additional disclosure requirements linked to these reclassifications in order to ensure full transparency for users of financial statements. These amendments ensure that for instance European banks have the same flexibility as

¹<http://www.iasb.org/News/Press+Releases/IASB+amendments+permit+reclassification+of+financial+instruments.htm>

their American competitors to reclassify assets “held-for-trading” into the “held-to-maturity” category.

In these circumstances, EU companies applying IFRS standards no longer have to reflect market fluctuation in their financial statements for these kinds of assets.

These amendments apply **as from 1 July 2008**.

2. Educational guidance on the application of fair value measurement when markets become inactive, published by the International Accounting Standards Board (IASB) on 31 October 2008

On 5 November 2008, the European Commission approved the guidance on the application of fair value measurement when markets become inactive, published by the IASB on 31 October 2008 in the form of an educational guidance². This educational guidance includes a summary document prepared by IASB staff and the final report of the expert advisory panel established to consider this issue. The IASB’s guidance makes clear *inter alia* that transaction prices and broker or pricing service quotes might be inputs when measuring fair value, but may not be determinate if an active market does not exist. This provides the clarifications needed by EU companies to apply internal models to calculate the value of financial instruments for which an active market no longer exists.

The staff summary takes into consideration the recent clarifications issued by the staff of the US Financial Accounting Standards Board (FASB) and of the US Securities and Exchange Commission (SEC) Office of the Chief Accountant.

It is also fully consistent with the joint statement issued by the three European committees of banking, finance and insurance³ supervisors on 21 October 2008.

The European Commission specifies that it will continue to closely monitor developments in this area and urges accounting standards-setters to address remaining issues arising from the credit crisis. In particular, the IASB should urgently provide solutions to the issues relating to the application of the IAS 39 standard, as raised in the European Commission letter⁴ of 27 October 2008 to the IASB. Moreover, the Commission would like the FASB-IASB joint advisory group announced by the IASB on 31 October 2008 to be rapidly operational and initiate work towards addressing other issues arising from the credit crisis.

²<http://www.iasb.org/News/Press+Releases/IASB+publishes+educational+guidance+on+the+application+of+fair+value+measurement+when+markets+become.htm>

³<http://www.c-ebs.org/News--Communications/Latest-news/CESR,-CEBS-and-CEIOPS-publish-a-joint-statement-on.aspx>

⁴http://ec.europa.eu/internal_market/accounting/docs/letter-iasb-ias39_en.pdf

Finally, we would like to point out that the European Commission has adopted on 3 November 2008 the consolidated text⁵ of all IFRS in force in the European Union. The consolidated version puts together all IFRS endorsed to date, including the latest amendments endorsed on 15 October 2008. It will enable stakeholders to refer to only one single legal document.

Yours sincerely,

COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER

Simone DELCOURT

Director

Jean-Nicolas SCHAUS

Director General

⁵http://ec.europa.eu/internal_market/accounting/ias_en.htm