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International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Comments on the Exposure Draft of Improving Disclosures about Financial Instruments (Proposed amendments to IFRS 7)

To the Board Members:

The Japanese Institute of Certified Public Accountants appreciates the efforts of the International Accounting Standard Board (IASB) in dealing with the credit crisis, and welcomes the opportunity to comment on the Exposure Draft of Improving Disclosures about Financial Instruments.

The following is our response to the items in 'invitation to comment' with which we disagree or have questions or concerns.

Question 1

Do you agree with the proposal in paragraph 27A to require entities to disclose the fair value of financial instruments using a fair value hierarchy? If not, why ?

Comment:

Considering the current circumstances where expanded disclosure of the fair value of financial instruments is an urgent issue, we agree with the procedures proposed, as an emergency measure. However, we believe that issues concerning the fair value hierarchy, including the measurement and consistency stated in the IAS 39 *Financial Instruments: Recognition and Measurement*, should be discussed without delay.

Discussion of the fair value hierarchy should consider issues not only of disclosure, but also of measurement. Nevertheless, we agree that expanded disclosure of the fair value of financial instruments is an urgent issue, so the procedures proposed are unavoidable as an emergency measure under the circumstances.

Question2

Do you agree with the three-level fair value hierarchy as set out in paragraph 27A? If not, why? What would you propose instead, and why?

Comment:
Please refer to our comment on Question 1.

Question3

Do you agree with the proposals in: (a) paragraph 27B to require expanded disclosures about the fair value measurements recognised in the statement of financial position? If not, why? What would you propose instead, and why? (b) paragraph 27C to require entities to classify, by level of the fair value hierarchy, the disclosures about the fair value of the financial instruments that are not measured at fair value? If not, why? What would you propose instead, and why?

Comment:
Please refer to our comment on Question 1.

Question6

Do you agree with the amended definition of liquidity risk in Appendix A? If not, how would you define liquidity risk, and why?

Comment:

We do not agree with the proposed definition, since it is not clear whether financial liabilities that may be settled either by delivering cash or another financial asset, or by an entity's own financial instruments are included in the definition or not. Therefore, it should be defined as "the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that <u>are or may be</u> settled by delivering cash or another financial asset."

The purpose of requirements for disclosure of the liquidity risk is provision of information to estimate the future cash flow required by an entity; therefore, the maximum cash flow possibility should be disclosed. To make this clear, we believe some words should be added to the proposed definition.

Yours faithfully,

Kiyoshi Ichimura
Executive Board Member－Accounting Standards
The Japanese Institute of Certified Public Accountants