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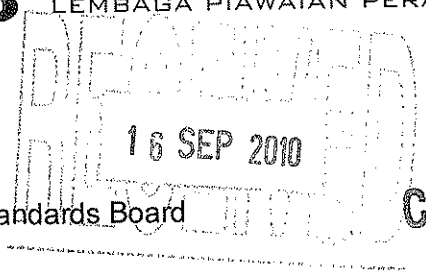
MASB MALAYSIAN ACCOUNTING STANDARDS BOARD
LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA



7 September 2010

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London ED 4M 6 XH
United Kingdom

Dear Sir David

IASB EXPOSURE DRAFT – Measurement Uncertainty Analysis Disclosure for Fair Value Measurements

The Malaysian Accounting Standards Board welcomes the opportunity to provide comments on the IASB Exposure Draft – Measurement Uncertainty Analysis Disclosures for Fair Value Measurements.

We appreciate the joint effort by the IASB and US Financial Accounting Standards Board to improve the disclosure of fair value measurement. The ED proposed that the reporting entity take into account the effect of correlation between unobservable inputs if such correlation is relevant when estimating the effect on fair value measurement. Whilst the entity is not required to disclose the quantitative information about the degree of correlation between the unobservable inputs, the entity is required to determine, whether using a different combination of unobservable inputs that would have resulted in a significantly higher or lower fair value measurement would have a consequential effect on any of the other unobservable inputs used in the valuation technique.

In any given valuation technique, there may be more than one unobservable input used and an assessment of the effect of correlation between these unobservable inputs would be practically difficult to establish and measure given the number of correlations. This is a concern especially for emerging and developing economies where market data is not readily available. As a high degree of judgment would be applied in identifying and assessing the effect of correlation, the measurement uncertainty issue is magnified and comparability of financial statements would be in question.

Should IASB decides to formalize this requirement, we would like to propose that adequate implementation guidance be provided for the various instruments, with such implementation guidance to include examples on how to assess and measure the effect of correlation.

Our detailed responses are enclosed in the Appendix of this letter. If you need further clarification, please contact Ms Christine Lau at +603 2240 9200 or by email at christine@masb.org.my.

Thank you.

Yours sincerely,

Mohammad Faiz Azmi
Chairman

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Appendix A

Question 1
Are there circumstances in which taking into account the effect of that correlation between unobservable inputs (a) would not be operational (eg. for cost-benefit reasons) or (b) would not be appropriate? If so, please describe those circumstances.

By definition unobservable inputs are inputs for which market data are not available and that are developed on best information available about the assumptions that market participants would use when pricing the asset / liability.

In any valuation technique, there may be more than one unobservable input in use giving rise to many correlations, with each correlation having its own impact on the fair value measurement of the asset/liability. In such situations an assessment of the effect of correlation between these unobservable inputs would be practically difficult to establish and measure. In addition the measurement basis of the correlation between such unobservable inputs may differ amongst entities even for those operating in the same industry, hence impacting the comparability of the financial statements.

From an operational perspective, as it is now, obtaining data for unobservable input is already very challenging especially for emerging or developing economies where there is insufficient market data.

Question 2
If the effect of the correlation between the unobservable inputs were not required, would the measurement uncertainty analysis provide meaningful information? Why or why not?

If the effect of the correlation between the unobservable inputs were not required, the measurement uncertainty analysis will still provide meaningful information under the following circumstances (i) if the effect of the correlation is not material in relation to the fair value measurement and / or (ii) the degree of judgment used in identifying and measuring the effect of correlation is such that it increases the subjectivity and measurement complexity of the instrument.

Question 3
Are there alternative disclosures that you believe might provide users of financial statements with information about the measurement uncertainty inherent in fair value measurements categorized within Level 3 of the fair value hierarchy that the Board should consider instead? If so, please provide a description of those disclosures and the reasons why you think that information would be more useful and more cost-beneficial.

An alternative which the Board can consider is to enhance the qualitative disclosure of the valuation technique or methodology as well as the unobservable inputs used in the fair value measurement.