© DRSC e.V. ‖ Zimmerstr. 30 ‖ 10969 Berlin ‖ Tel.: (030) 20 64 12 - 0 ‖ Fax.: (030) 20 64 12 -15
www.drsc.de - info@drsc.de

DSR – öffentliche SITZUNGSUNTERLAGE

DSR-Sitzung:	**135. / 31.08.2009 / 13:45 – 15:45 Uhr**
TOP:	**03 - Fair Value Measurement Guidance**
Thema:	**ED/2009/5 Fair Value Measurement**
Papier:	**135_03a_FVM Draft CL**

DRSC e. V. • Zimmerstr. 30 • 10969 Berlin

Telefon +49 (0)30 206412-12
Telefax +49 (0)30 206412-15
E-Mail info@drsc.de

Sir David Tweedie
Chairman of the
International Accounting Standards Board
30 Cannon Street

London EC4M 6XH
United Kingdom

Berlin, [#Date] 2009

Dear David,

Exposure Draft ED/2009/5 'Fair Value Measurement'

On behalf of the German Accounting Standards Board (GASB) I am writing to comment on the IASB Exposure Draft ED/2009/5 'Fair Value Measurement" (herein referred to as 'ED'). We appreciate the opportunity to comment on the Exposure Draft.

IFRSs require some assets, liabilities and equity instruments to be measured at fair value or to be measured on a fair value basis (for example fair value less cost to sell). However, IFRSs do not provide a comprehensive and consistent guidance for determining fair values. By developing ED/2009/5 the IASB aims at resolving this issue. The second goal is to achieve an increased level of transparency and decision usefulness by establishing comprehensive disclosure requirements.

We strongly support these intentions and believe an important milestone has been achieved by issuing the ED. However, we have some significant conceptual concerns.

The IASB stated that the whole project as well as the ED exclusively address the question how to determine fair value while the issue of when to use a fair value measurement is explicitly out of scope. From a conceptual point of view a discussion about definition and determination of fair value cannot be held by completely ignoring the question of when to use fair values. We believe the board is aware of that as well, because the board proposes to exclude some circumstances from the scope of the ED. Therefore, we doubt the question of when to use fair values is out of the scope of the project and the ED.

The Board proposes to define fair value as an exit price in a hypothetical transaction on a market on which the asset or liability is traded. Based on the current scope of fair value measurements we do not deem this concept to be the right one even if taking the proposed scope exemptions into account.

1. We see other circumstances in which a transaction and a market cannot even hypothetically arise, just because the trading of the asset is legally prohibited (e.g. circumstances in the scope of IAS 20). In such circumstances a fair value measurement should be excluded from the scope as well.
2. A fair value measurement at initial recognition assumes an exit notion whereas an entry scenario is actually in place. We believe that notion is not right.

3. Furthermore, we understand the ED to require reporting entities to ignore entity specific circumstances to a large extent, for example by focusing on hypothetical transactions which the entity does not intent to enter into. That causes reported information being based on too many hypotheses (for example the exit hypothesis or the notion of the highest and best use of an asset). We do not believe that information to be decision useful.

Even if one would agree with the exit notion we see further difficulties in application since we do not deem the expressions of the exit notion, such as the highest and best use concept or the most advantageous market concept, to be of a high practicability.

Please find our detailed comments on the questions raised in the ED in the appendix to this letter. If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr
President

Definition of fair value and related guidance

Q1:
The exposure draft proposes defining fair value as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date' (an exit price) (see paragraph 1 of the draft IFRS and paragraphs BC15–BC18 of the Basis for Conclusions). This definition is relevant only when fair value is used in IFRSs.

Is this definition appropriate? Why or why not? If not, what would be a better definition and why?

We do not agree with the general notion saying that fair value measurements have to be based on an exit assumption.

This general notion ignores the use of the recognised assets and liabilities and focuses on the perspective of fictitious market participants for objectification purposes in many circumstances. The market perspective can basically be the right approach if it is motivated by the intent to limit subjective discretion or judgment, but in most circumstances it will not cause information being decision useful since it unduly takes fictitious elements into account. This is the case particularly with regard to circumstances in which the exit scenario is not relevant for the reporting entity. We see many situations in which the reporting entity does not intent a sale or in which a sale is not. Thus, if the IASB were to finally implement the proposed definition of fair value in IFRSs the scope should be further shortened. Please see our further comments on question 2.

Different circumstances demand different measurement objectives and, therefore, the measurement should be based on either an exit notion <u>or</u> an entry notion. Concluding, we recommend omitting the term "fair value" but to use the terms "current exit price" or "current entry price" instead, since these terms indicate the basis and the objective of the measurement much clearer than "fair value".

We do not support the general notion of liabilities to be measured based on a transfer assumption, since liabilities are not transferred in the very most cases. A measurement which is based on a notion that is far away from actual practise does not mean to be decision useful. If the IASB were to stick to the transfer notion further scope exemptions would become necessary.

From our point of view a fair value measurement of liabilities should be based on the question how the entity can dispose of the liability most advantageously. This approach comprises a settlement. Therefore, we recommend altering the definition accordingly ("to transfer or to settle a liability").

Scope

Q2:
In three contexts, IFRSs use the term 'fair value' in a way that does not reflect the Board's intended measurement objective in those contexts:

(a) In two of those contexts, the exposure draft proposes to replace the term 'fair value' (the measurement of share-based payment transactions in IFRS 2 Share-based Payment and reacquired rights in IFRS 3 Business Combinations) (see paragraph BC29 of the Basis for Conclusions).

(b) The third context is the requirement in paragraph 49 of IAS 39 Financial Instruments: Recognition and Measurement that the fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid (see paragraph 2 of the draft IFRS and paragraph BC29 of the Basis for Conclusions). The exposure draft proposes not to replace that use of the term 'fair value', but instead proposes to exclude that requirement from the scope of the IFRS.

Is the proposed approach to these three issues appropriate? Why or why not? Should the Board consider similar approaches in any other contexts? If so, in which context and why?

We agree with the exemptions proposed but we would like to add others.

There are further circumstances existing in which the reference to an exit scenario does not appear to be appropriate to us. The IASB should consider similar scope exemptions for these.

Fair value measurements are based on a hypothetical transaction. We understand the ED – also in the context of measuring assets – that the intent of the entity regarding the transaction is not relevant for fair value measurements. We see circumstances in which a transaction is a priori impossible, even in a hypothetical view, and, therefore, the existence of both a transaction and a market is unimaginable. An example is a defence industry entity which obtained plant and equipment or technical know-how from the state. In this case a fair value measurement of the assets should not be allowed since neither the sale of these assets nor the existence of a market are intended and possible. IAS 20.23 allows measuring those assets at fair value or at a nominal amount. Since the reference to a non existing market is not appropriate, the Board should consider a further exemption from the scope of the ED.

We do not agree with a fair value measurement at initial recognition since assuming an exit scenario in an entry situation is not logical. According to IAS 39, 41 and IFRS 3 a fair value measurement is required already at initial recognition. Furthermore, we understand the fair value measurement at initial recognition in IAS 39 to be geared rather to a buying market than to a sales market since par. 43 of IAS 39 requires a fair value measurement plus transaction cost. We therefore recommend considering further scope exemptions.

A measurement based on an exit scenario might be appropriate for agricultural produce according to IAS 41, since those assets are produced for selling them, predominantly (IAS 41 requires agricultural produce harvested from an entity's biological assets to be measured at its fair value less costs to sell at the point of harvest). The exit assumption is not the right concept at initial recognition of biological assets (for example assuming the potato crop at the moment of sowing) which are used to output agricultural produce. This is because the agricultural produce (harvested potato) is subject to the sale but not the biological asset (potato crop).

Furthermore, we fail to imagine an exit market for goodwill recognised in the context of a business combination according to IFRS 3. Since there is no market existing for goodwill, an exit view is not appropriate.

Transaction

Q3:
The exposure draft proposes that a fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in the most advantageous market to which the entity has access (see paragraphs 8–12 of the draft IFRS and paragraphs BC37–BC41 of the Basis for Conclusions).

Is this approach appropriate? Why or why not?

We understand the reference to the most advantageous market to be an objectifying measure aiming at the exclusion of using obviously unfavourable assumptions when valuing the asset. The reporting entity shall not base the measurement on unfavourable markets and their conditions.

The GASB strongly supports such efforts to limit subjective scope of discretion. However, we doubt that the most advantageous market concept as proposed in the ED will bring decision useful information if the range of the markets to be considered is not limited to those markets in which the entity usually (or with the highest probability) acts as a seller.

The ED proposes a limitation of the range of the markets to be considered by saying that the entity must have access to these markets (par. 8 of the ED). Furthermore, the ED states that an entity need not undertake an exhaustive search of all possible markets to identify the most advantageous market. The market in which the entity would normally enter into a transaction for the asset or liability is presumed to be the most advantageous market (par. 10).

We basically support these limitations but they leave too many issues open in our view. Firstly, the ED is silent about whether the entity already has to be a participant on the markets to be considered or whether the entity must only be able to act on the markets to be considered when determining the most advantageous market. Secondly, if the entity is aware of all existing markets for an asset without carrying an exhaustive search, is the entity required to analyse all these different markets regarding their advantageousness? Furthermore, we understand the wording in par. 10 (“*the market in which the entity would normally enter into a transaction”)* indicating that basically all markets in which the entity theoretically could transact have to be taken into account. In our view this condition does not seem to be consistent with the wording in par. 8 saying that the entity must have access to these markets.

In addition, we do not think it is appropriate to exclusively focus on the maximum price for an asset (adjusted for transaction and transportation costs) when determining the most advantageous market. In our view, when determining the most advantageous market some more elements should be taken into account. Given a market A on which an entity can sell commodities at 20 CU per piece and a market B on which the entity can sell at 19 CU per piece and assuming that transportation costs and transaction costs are not differing, market A would be the most advantageous market according to the proposals in the ED. Assuming further that the entity can sell 10.000 pieces in market A and 20.000 pieces in market B, we doubt that market A can still be deemed to be the most advantageous one.

There will be many more elements to be considered when determining the most advantageous market and we acknowledge that a comprehensive and robust definition will be hardly to find. We therefore think that the most advantageous market view is not practicable. Based on these concerns and on our concerns mentioned before, we recommend to move away from the most advantageous market as the primary concept but to combine it with the principle market concept and take the most advantageous market secondarily in account. We would propose the following two-step-approach:

1. Identify that market in which the entity usually (or with the highest probability) acts as a seller and consider this market for fair value measurement.

2. If in step 1 more than one market is identified, refer to that market which is sustainably the most advantageous one. The determination of the sustainably most advantageous market should consider several elements, such as selling price, transaction costs, transportation costs, market capacity, market reactions, competitor's reactions.

Q4:
The exposure draft proposes that an entity should determine fair value using the assumptions that market participants would use in pricing the asset or liability (see paragraphs 13 and 14 of the draft IFRS and paragraphs BC42–BC45 of the Basis for Conclusions).

Is the description of market participants adequately described in the context of the definition? Why or why not?

From a conceptual point of view the focus on the market participants perspective appears to be consistent with the definition. Furthermore, we understand the proposed concept to be an objectifying measure aiming at the limitation of subjective discretion. Therefore, we support the proposals which are subject to question 4.

The ED proposes to ignore transactions between related parties when taking the perspective of market participants. We miss a convincing rationale for that in the material of the ED. Overall, we cannot agree with the general exclusion. Although we acknowledge the conditions of the transaction between related parties will in many cases not equal market conditions, we fail to see why a general exclusion is appropriate. We recommend a note that the conditions of the transaction (particularly the transaction price) might not be relevant for a fair value measurement and that these conditions should be very well considered before taking them into account for a fair value measurement.

Furthermore, we understand the ED applying the proposed fair value definition with an exclusive focus on the market participants. We do not deem this concept to be practicable since it completely ignores the perspective of the reporting entity.

Application to assets: highest and best use and valuation premise

Q5:
The exposure draft proposes that:

a) the fair value of an asset should consider a market participant's ability to generate economic benefit by using the asset or by selling it to another market participant who will use the asset in its highest and best use (see paragraphs 17–19 of the draft IFRS and paragraph BC60 of the Basis for Conclusions).

b) the highest and best use of an asset establishes the valuation premise, which may be either 'in use' or 'in exchange' (see paragraphs 22 and 23 of the draft IFRS and paragraphs BC56 and BC57 of the Basis for Conclusions).

c) the notions of highest and best use and valuation premise are not used for financial assets and are not relevant for liabilities (see paragraph 24 of the draft IFRS and paragraphs BC51 and BC52 of the Basis for Conclusions).

Are these proposals appropriate? Why or why not?

<u>Highest and best use</u>

We understand the approach of the highest and best use to be a further measure to objectify accounting information. The entity shall not base fair value measurements on a suboptimal use of assets. We basically support such an approach, since it counters the possibility of entities' intentions to understate its results of operations, financial position and net assets. Furthermore, the highest and best use concept appears to be a consistent application of the fair value definition.

However, we have concerns with respect to the practicability of the proposed concept as worded in the ED. Even if the entity does not need not perform an exhaustive search for other potential uses if there is no evidence to suggest that the current use of an asset is not its highest and best use (par. 18), we see the risk that entities understand the ED that it requires an entity to challenge its complete business model. The concept looks to a large extent to be based on the notion of optimisation of the entity's resources.

Example: An entity which engages in the automotive business (construction of vehicles) owns a construction factory on own land. The entity is (without an exhaustive search) aware of the fact that another use of the building and the land (for example using it as a leisure park) would result in a higher value of both land and building. According to the ED the entity is forced to measure its assets based on a business model which is different from the entity's actual business model. We do not believe that to be decision useful; however, we doubt that the IASB intended such an accounting.

Even if the highest and best use concept does not have to be understood in such a manner as mentioned above, another weakness of the concept becomes apparent. The proposed highest and best use approach bears the risk of ignoring significant interdependencies to other business related facts which causes reported information to be biased.

Example: A brewery owns properties in a representative area of a city and operates at these properties own pubs where the products of the company are served. These operations lead to a high consumer awareness of the company's brands and, correspondingly, the entity does not need to spend further money for advertising. However, the company faces an increased demand for office facilities and is aware of the fact that renting the properties for office purposes will maximise the value of the properties. The wording of the ED might now be understood that the entity is forced to measure the properties as if they were to be rented office facilities. The effect of additional advertising costs which will have to be spent in case the properties were to be rented offices would, however, be ignored. That again would result in the financial statements to be overstated which cannot be agreed with.

Even if the entity does not need to perform an exhaustive search for other potential uses, the ED is silent about how to consider the use concepts of other market participants if these market participants differ from each other. The ED might be understood that a consistent application of the concept would be to assume an average market participant, who, therefore, not necessarily exists in reality. If that is the case, the measurement would be based on too many hypothetical elements, which we cannot agree with.

<u>In-use versus in-exchange</u>

We understand the differentiation between in-use and in-exchange specifying the highest and best use concept. When determining the highest and best use of an asset the entity shall analyse whether a stand-alone use or a use in combination with other assets or liabilities maximises the value of the asset being measured. Therefore, we refer to our comments on the highest and best use concept in the chapter above.

In addition, we have further strong conceptual concerns regarding this differentiation. A measurement model that refers to market prices is a model which is based on the exchange of assets. This model aggregates the willingness to pay of several potential buyers of an asset and results in a single market price for the asset. In doing so, the model considers the differing market participants' opportunities for diversification. However, the individual willingness to pay of the potential buyers is a function of their individual (mostly differing) intentions how to use the asset. Even if some of these intentions might be to resell the asset, it does not seem appropriate to assume a sustainable and continuing resale of the asset. In contrast, from our point of view every asset will finally be put to a use other than resale. Concluding, every market price is finally based on an asset's use other than resale. Hence, in-use and in-exchange cannot be understood to be differing use concepts since in-exchange is based on in-use.

<u>Highest and best use not to be applied to liabilities and financial assets</u>

We agree the highest and best use and the valuation premise are not relevant for liabilities.

The GASB does not find it appropriate to measure financial assets exclusively by applying the in-exchange premise. We have explained our concerns in the chapter above. Even if we accept the proposed differentiation between in-use and in-exchange, we see circumstances where a measurement based on in-exchange does not lead to decision useful information.

Example: An entity A owns a minority interest in another entity B. Entity B is a big player in a certain regional market which entity A strongly intends to enter in, since it expects growth and profits by an engagement in that market. Therefore, the interest is of strategic relevance for entity A. According to the wording of the ED, entity A measures the interest assuming a stand-alone use or a sale of the interest (in-exchange) would be the highest and best use for market participants. Given the fact that holding that interest is of less strategic relevance for other market participants and they, therefore, would not be willing to pay more than the price quoted on an exchange, the strategic advantage of owning the interest and having the possibility to enter into that market would be ignored and the value of the interest would not be the right one in our view. One could argue that this issue could be solved by saying that the relevant market is not the stock exchange but a hypothetical market for strategic investments but we fail to see any proper guidelines for that in the ED.

The GASB holds the opinion that the proposed concept of the highest and best use is going too far in many aspects. The exclusive focus on market participants' view and disregarding entity specific circumstances and intentions (such as business model, interdependencies to other factors) cause an inappropriately high level of objectification because the model is geared to an implied optimisation goal and therefore does not lead to relevant, reliable and decision useful information. We think that the concept is not well-engineered, so the IASB may consider putting some additional work into necessary enhancements.

Q6:
When an entity uses an asset together with other assets in a way that differs from the highest and best use of the asset, the exposure draft proposes that the entity should separate the fair value of the asset group into two components: (a) the value of the assets assuming their current use and (b) the amount by which that value differs from the fair value of the assets (ie their incremental value). The entity should recognise the incremental value together with the asset to which it relates (see paragraphs 20 and 21 of the draft IFRS and paragraphs BC54 and BC55 of the Basis for Conclusions).

Is the proposed guidance sufficient and appropriate? If not, why?

The proposal is based on the highest and best use concept which we cannot agree with, currently. Therefore, we cannot agree with the proposal of question 6, too.

Application to liabilities: general principles

Q7:
The exposure draft proposes that:

(a) a fair value measurement assumes that the liability is transferred to a market participant at the measurement date (see paragraph 25 of the draft IFRS and paragraphs BC67 and BC68 of the Basis for Conclusions).

(b) if there is an active market for transactions between parties who hold a financial instrument as an asset, the observed price in that market represents the fair value of the issuer’s liability. An entity adjusts the observed price for the asset for features that are present in the asset but not present in the liability or vice versa (see paragraph 27 of the draft IFRS and paragraph BC72 of the Basis for Conclusions).

(c) if there is no corresponding asset for a liability (eg for a decommissioning liability assumed in a business combination), an entity estimates the price that market participants would demand to assume the liability using present value techniques or other valuation techniques. One of the main inputs to those techniques is an estimate of the cash flows that the entity would incur in fulfilling the obligation, adjusted for any differences between those cash flows and the cash flows that other market participants would incur (see paragraph 28 of the draft IFRS).

Are these proposals appropriate? Why or why not? Are you aware of any circumstances in which the fair value of a liability held by one party is not represented by the fair value of the financial instrument held as an asset by another party?

<u>Transfer notion</u>

We refer to our comments on question 1.

<u>In an active market the observed price represents the fair value of the issuer’s liability</u>

We agree.

<u>Measuring liabilities in absence of observable market prices for a transfer (par. 26)</u>

The IASB proposes to measure liabilities in absence of observable market prices based on the methodology that the counterparty would use to measure the fair value of the corresponding asset. In our view the wording leaves room for interpretation:

Perspective 1: The entity measures the liability based on the methodology, which the entity would use when measuring the corresponding asset or for measuring the corresponding asset in a similar situation.

Perspective 2: The entity measures the liability based on the methodology which the counterparty actually uses when measuring the corresponding asset.

Perspective 3: The entity measures the liability based on the methodology which the counterparty presumably uses when measuring the corresponding asset.

The ED might be understood that the reporting entity has to make enquiries at the counterpart or the counterparties regarding their used methodologies. That seems unrealistic to assume. Hence, the reporting entity has to use adequate (and logically own) assumptions regarding the methodology used by the counterparty. In our view, the ED leaves open how the reporting entity has to proceed with that (perspective 1 or perspective 3). The Board should therefore consider further clarification on this issue.

On the other hand the proposed measurement based on the expected cash flows appears to be more appropriate to us. Unfortunately, this concept is limited to those liabilities for which a corresponding asset does not exist (e.g. decommissioning liabilities). We recommend to base the fair value measurement in general on cash flows incurred at a transfer or settlement of a liability unless the liability can deemed to be the counter position of a financial instrument for which an observable market price exists.

Application to liabilities: non-performance risk and restrictions

Q8:
The exposure draft proposes that:

(a) the fair value of a liability reflects non-performance risk, ie the risk that an entity will not fulfil the obligation (see paragraphs 29 and 30 of the draft IFRS and paragraphs BC73 and BC74 of the Basis for Conclusions).

(b) the fair value of a liability is not affected by a restriction on an entity's ability to transfer the liability (see paragraph 31 of the draft IFRS and paragraph BC75 of the Basis for Conclusions).

Are these proposals appropriate? Why or why not?

From a conceptual point of view we agree with the proposals. However, we affirm our opinion that we doubt a fair value measurement of liabilities to be decision useful.

Fair value at initial recognition

Q9:
The exposure draft lists four cases in which the fair value of an asset or liability at initial recognition might differ from the transaction price. An entity would recognise any resulting gain or loss unless the relevant IFRS for the asset or liability requires otherwise. For example, as already required by IAS 39, on initial recognition of a financial instrument, an entity would recognise the difference between the transaction price and the fair value as a gain or loss only if that fair value is evidenced by observable market prices or, when using a valuation technique, solely by observable market data (see paragraphs 36 and 37 of the draft IFRS, paragraphs D27 and D32 of Appendix D and paragraphs BC76–BC79 of the Basis for Conclusions).

Is this proposal appropriate? In which situation(s) would it not be appropriate and why?

We refer to our comments on question 2: A measurement assuming an exit scenario is not the right measurement for initial recognition which represents an entry scenario.

However, if the IASB decides to stick to an exit price measurement at initial recognition it does not appear to be appropriate to assume that the transaction price represents fair value since the transaction price has always the notion of an entry price, not an exit price. When applying the exit price notion, that concept has to be consistently applied at initial recognition as well. Therefore, the recognition of day-one-gains-or-losses is theoretically possible and consistent in every circumstance.

Valuation techniques

Q10:
The exposure draft proposes guidance on valuation techniques, including specific guidance on markets that are no longer active (see paragraphs 38–55 of the draft IFRS, paragraphs B5–B18 of Appendix B, paragraphs BC80–BC97 of the Basis for Conclusions and paragraphs IE10–IE21 and IE28–IE38 of the draft illustrative examples).

Is this proposed guidance appropriate and sufficient? Why or why not?

We agree with the proposed guidelines regarding valuation techniques and markets that are no longer active.

In case of bid-ask-spreads the Board proposes referring to a price within the bid-ask spread. In our view this proposal is not consistent with the exit price objective. A consistent application would mean to base the measurement of assets on the bid price and to base the measurement of liabilities on the ask price.

Disclosures

Q11:
The exposure draft proposes disclosure requirements to enable users of financial statements to assess the methods and inputs used to develop fair value measurements and, for fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period (see paragraphs 56–61 of the draft IFRS and paragraphs BC98–BC106 of the Basis for Conclusions).

Are these proposals appropriate? Why or why not?

We basically agree with the proposed disclosure requirements.

However, we hold concerns against the required disclosure of the fair value by the level of the fair value hierarchy for each class of assets and liabilities not measured at fair value in the statement of financial position, but for which the fair value is disclosed (par. 58). Furthermore, we think the presentation of a sensitivity analysis for fair value measurements categorised within Level 3 of the fair value hierarchy (par. 57g) does not really make sense.

We have got the impression the proposals mentioned above aim at enabling users of financial statements to double-check the information presented in the financial statements. This is not decision useful in our view.

We do not agree with the disclosure requirements with regard to assets used together with other assets when their highest and best use differs from its current use (par. 60) since we do not agree with the underlying concept (please see our comments on question 5).

Convergence with US GAAP

Q12:
The exposure draft differs from Statement of Financial Accounting Standards No. 157 Fair Value Measurements (SFAS 157) in some respects (see paragraph BC110 of the Basis for Conclusions). The Board believes that these differences result in improvements over SFAS 157.

Do you agree that the approach that the exposure draft proposes for those issues is more appropriate than the approach in SFAS 157? Why or why not? Are there other differences that have not been identified and could result in significant differences in practice?

We do not deem answering this question to be appropriate as long as the ED does not justify why the differing requirements proposed in the ED lead to a higher level of decision usefulness.