

David Schraa
Regulatory Counsel



December 19, 2014

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street, First Floor
London, EC4M 6XH
United Kingdom

RE: ED/2014/4 - Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value

Dear Mr. Hoogervorst:

The Institute of International Finance (IIF), via its Senior Accounting Group (SAG), welcomes the opportunity to comment on the Exposure Draft - Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (ED).

The SAG shares the IASB's objective of clarifying the usage of the unit of account for investment in subsidiaries, joint ventures and associates (Investment) and the interaction between the guidance in IFRS13 on the use of Level 1 inputs and those units of accounts.

The ED recommends that Investments should be seen as a whole instead of as the individual financial instruments that make up each Investment. The SAG agrees with this conclusion, but believes that this view should also drive the unit of measurement. To that end, we recommend that the measurement of the unit of account should be the measure of that unit as a whole instead of the measurement of individual instruments that make up the investment.

The ED aims to address the specific situation that arises when the underlying investments are quoted in an active market. In such circumstances, it is proposed that the fair value measurement of the Investment as a whole is based on the fair value of the underlying investments, using the quoted price (P) and the quantity of the individual financial instrument held (Q), which introduces a disconnect between the unit of account and its measurement when the underlying investments have all Level 1 prices.

While we appreciate that the scope of the present ED is limited to unit of account for investments in subsidiaries, joint ventures and associated entities, where such financial assets are quoted in active market and whose fair value measurement is categorised within Level 1 of the fair value hierarchy, we do not believe that the unit of account dictated by another standard should be overridden by IFRS 13.

We would contrast that view with the measurement of a net risk exposure, for which an exception to the normal unit of account already exists in IFRS 13. The SAG supports the proposed ED because it does not change the exemption in paragraph 48 of IFRS 13, and only aims at confirming the primacy of the Level 1 input of the fair value measurement, which is also an underlying principle of IFRS 13.

To that end, we understand that paragraph 48 of IFRS 13 will be amended by an illustrative example to explain how exemption of paragraph 48 of IFRS13 can be used when financial assets' and financial liabilities' market risks are substantially the same and are categorised within Level 1 of the fair value hierarchy. In that context, we agree that the net risk exposure is measured by considering the number of financial instruments that make up the net position multiplied by the corresponding Level 1 prices.

The SAG would be pleased to pursue any issues raised in this letter more fully. Should you have any comments or questions on this letter, please contact the undersigned or Dorothee Bucquet (dbucquet@iif.com; +1 202 682 7456).

Very truly yours,

A handwritten signature in black ink, appearing to read "David Schuss", followed by a long horizontal line extending to the right.