



# Limitations

---

This presentation contains information that is confidential and proprietary property and/or trade secrets of Interactive Data Pricing and Reference Data, Inc. and/or its affiliates. This presentation is not to be published, reproduced, copied, disclosed or used without the express written consent of Interactive Data Pricing and Reference Data, Inc.

This document is provided for informational purposes only. The information contained herein is subject to change and does not constitute any form of warranty, representation, or undertaking. Nothing herein should in any way be deemed to alter the legal rights and obligations contained in agreements between Interactive Data Pricing and Reference Data, Inc. and/or its affiliates and their clients relating to any of the products or services described herein. Nothing herein is intended to constitute legal, tax, accounting or other professional advice.

Interactive Data makes no warranties whatsoever, either express or implied, as to merchantability, fitness for a particular purpose, or any other matter. Without limiting the foregoing, Interactive Data makes no representation or warranty that any data or information (including but not limited to evaluations) supplied to or by it are complete or free from errors, omissions, or defects.

Pricing, evaluations and reference data are provided in the U.S. through Interactive Data Pricing and Reference Data, Inc. and internationally through Interactive Data (Europe) Ltd. and Interactive Data (Australia) Pty Ltd.

Interactive Data <sup>SM</sup> and the Interactive Data logo are service marks of Interactive Data Corporation. Other products, services, or company names mentioned herein are the property of, and may be the service mark or trademark of, their respective owners.

© 2010 Interactive Data Pricing and Reference Data

# Agenda

---

- **International Financial Reporting Standards (IFRS)**
- **Global convergence of accounting standards**
- **IFRS 9: Financial Instruments**
- **Fair value measurement**

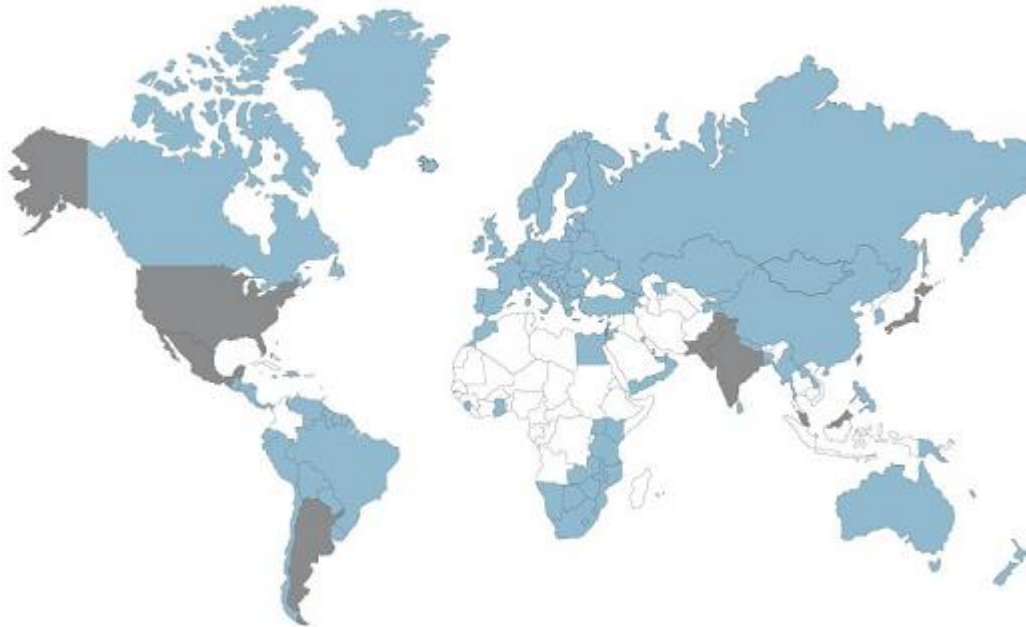


# Global adoption

---

According to the IASC Foundation, more than 100 countries now require or permit the use of IFRSs or are converging with the International Accounting Standards Board's (IASB) standards.

The picture below shows the level of IFRS adoption at present. Blue areas indicate countries that require or permit IFRSs. Grey areas are countries seeking convergence with the International Accounting Standards Board (IASB) or pursuing adoption of IFRSs.



Source: International Accounting Standards Committee Foundation

---

# Milestones for global convergence of Accounting Standards

---

**2002 Norwalk Agreement** – In September 2002 the IASB and the FASB agreed to work together to remove the differences between international standards and US GAAP

**2006 Roadmap for Convergence** – The IASB and FASB set specific milestones to be reached by 2008

**2008 Update to the 2006 Memorandum of Understanding (MoU)** – which identified the remaining major joint projects by 2011, emphasising the goal of joint projects to produce common, principle-based standards.

**2008 The Tokyo Agreement** – The IASB and the Accounting Standards Board of Japan (ASBJ) published a MoU to achieve substantial convergence between IFRSs and Japanese GAAP by June 2011.

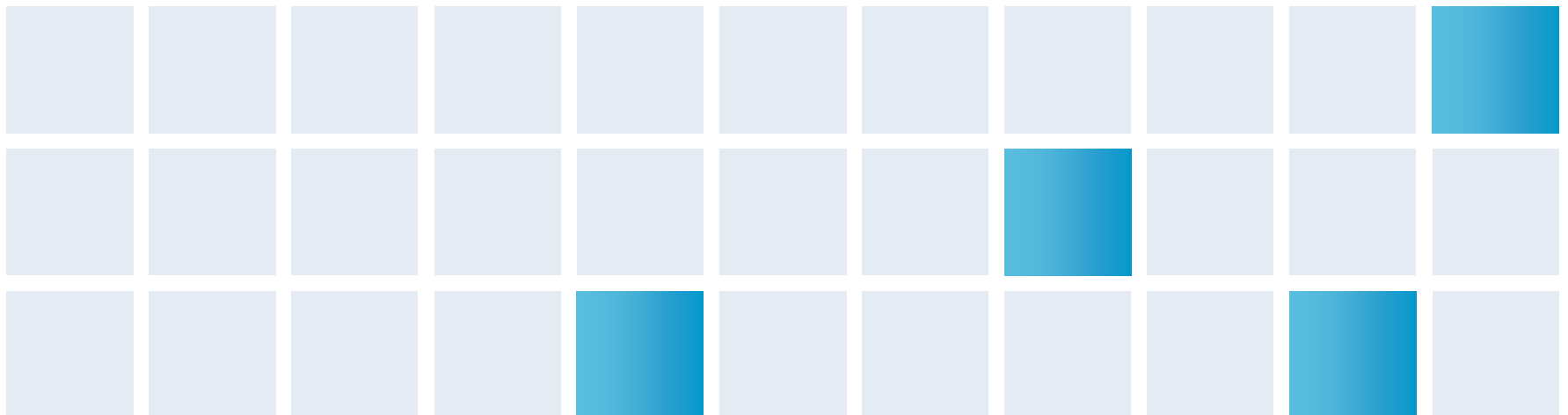
**2009 Roadmap for IFRSs in Japan** – The Japanese Business Accounting Council (BAC) approved a roadmap for the adoption of International Financial Reporting Standards (IFRSs) in Japan.

**2009 The Group of 20 Leaders (G20) September meeting** – called on ‘international accounting bodies to redouble their efforts to achieve a single set of high-quality, global accounting standards within the context of their independent standard-setting process, and complete their convergence project by June 2011’.

**2009 Reaffirming the commitment to the MoU** – In November 2009 the IASB and the FASB published a progress report describing an intensification of their work programme, including the hosting of monthly joint board meetings and to provide quarterly updates on their progress on convergence projects

---

## IFRS 9: Financial Instruments

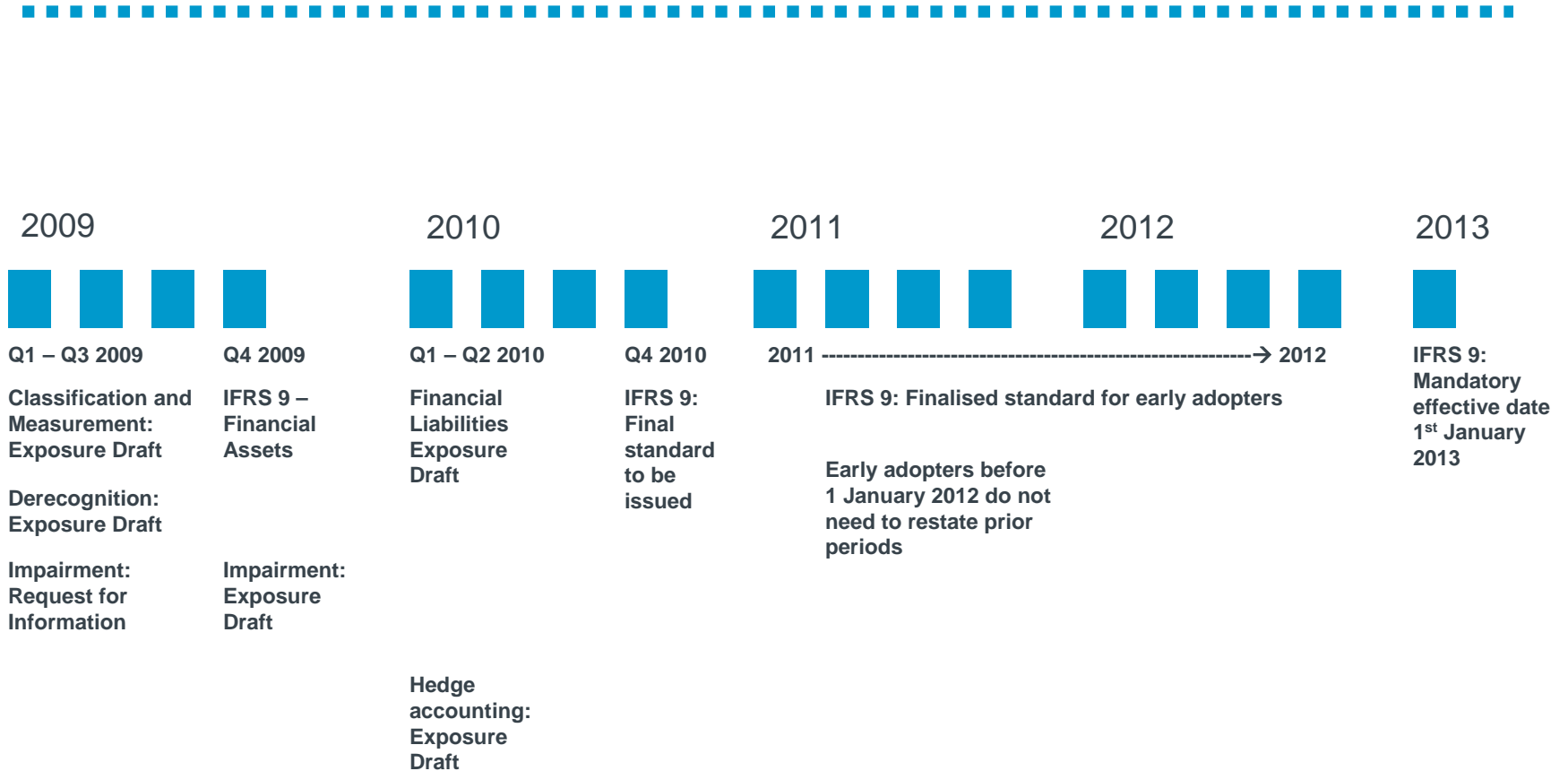


# IFRS 9: Financial Instruments

---

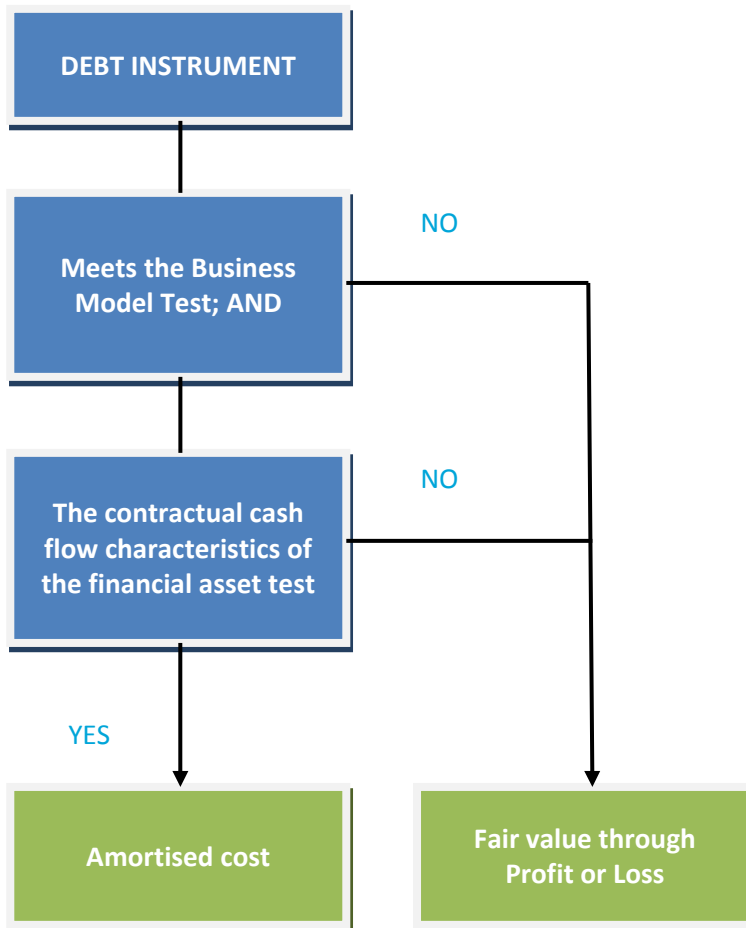
- The IASB's project plan for the replacement of IAS 39 consists of three main phases:
  - Phase 1: Classification and measurement
  - Phase 2: Impairment methodology
  - Phase 3: Hedge accounting
- On 12 November 2009, the IASB published IFRS 9 *Financial Instruments*, which covers the classification and measurement of financial assets. Effective date is 1 January 2013 although early adoption from year end 2009 is permitted
- On 5 November 2009, the Board published an exposure draft that uses an expected cash flow approach for the impairment of financial assets which is open for comment until 30 June 2010.
- The IASB is considering hedge accounting of both financial and non-financial hedged items and expects to publish an exposure draft in time to allow for finalisation by the end of 2010.

# IFRS 9: Timeline



# IFRS 9: Financial assets

## Classification and measurement (debt instrument)



Business model test:

“The asset is held with a business model whose objective is to hold assets in order to collect contractual cash flows.”

- The assessment is not done at an individual instrument level
- Based on how key management actually manage the business
- The entity need not hold all the assets until maturity, sales can occur to fund capital expenditure or due to an investment no longer meeting investment criteria. However, if more than an infrequent number of sales are made the entity needs to question if this is consistent with a business managed to collect contracted cash flows.

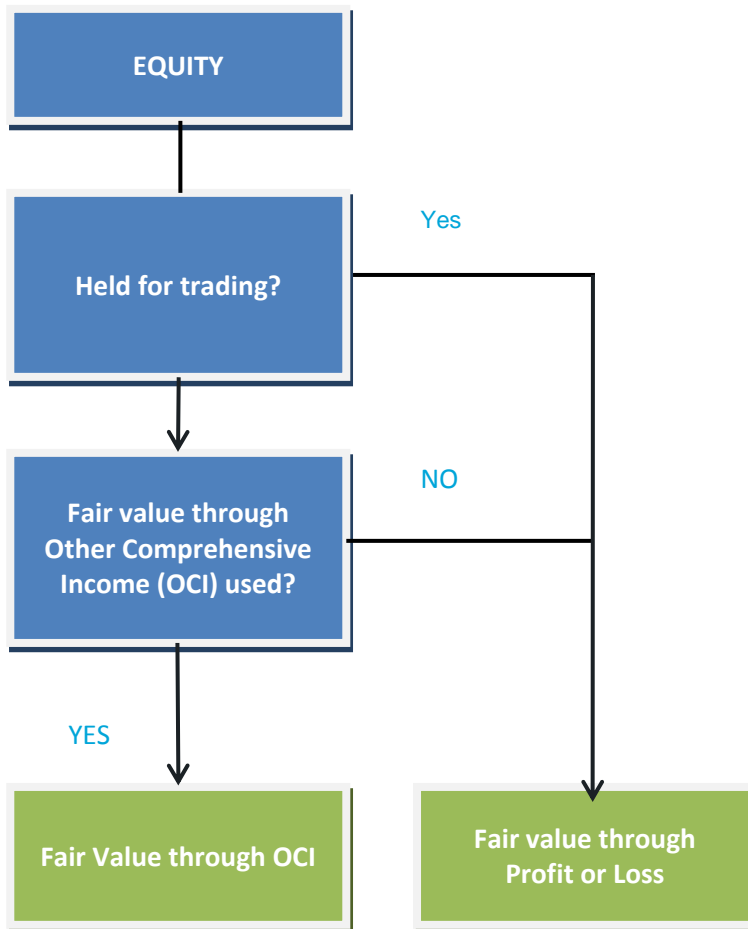
Contractual cash flow characteristics test:

“The contractual terms of the asset give rise, on specific dates, to cash flows that are solely payments of principal and interest on the principal outstanding.”

- For contractually linked instruments (e.g. securitised debt) a look through approach to the underlying pool is required

# IFRS 9: Financial assets

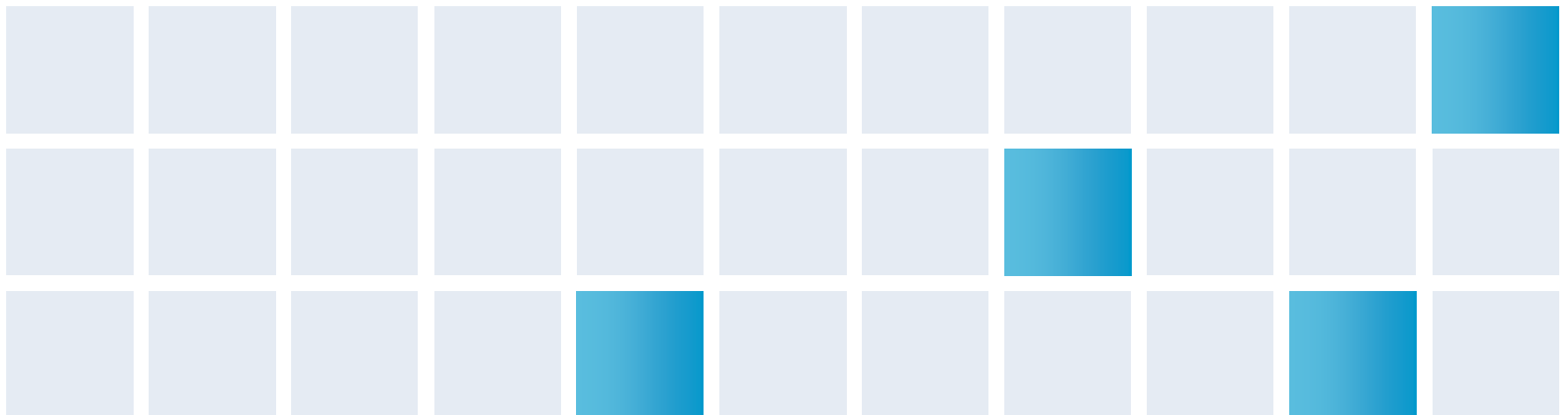
## Classification and measurement (Equity)



“At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment ... not held for trading ... it shall recognise in profit or loss dividends from that investments”

- Investments in unquoted equity investments must be measured at fair value. However, guidance is given as to when cost may be appropriate measure of fair value.

## Fair value measurement



# Overview

---

- The FASB published statement 157, *Fair Value Measurements* in 2006
- FAS 157 (now Topic 820) has been effective since November 2007
- The IASB published an exposure draft on fair value in May 2009 that is largely consistent with the FASB requirements
- The exposure draft defines fair value measurement 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.” This is identical to the definition in FAS 157 (now Topic 820)
- The FASB and IASB Joint Statement reaffirming commitment to the MoU states “if they become aware of perceptions that the FASB and IFRS fair value measurement requirements are different they will work together to address those perceptions”
- The IASB expects to publish its final standard on *Fair Value Measurement* and the FASB would finalise any related amendments to US GAAP if required

# Fair Value Measurement

## Hierarchy of inputs

---

### Level 1

Quoted priced,  
unadjusted in active  
markets for identical  
assets or liabilities

### Level 2

Inputs other than quoted  
prices in Level 1 that are  
observable (either  
directly or indirectly) for  
the asset or liability

### Level 3

Inputs that are not  
based on observable  
market data

# Impact

---

Liquidity

Orderly transactions /  
distressed sales

Transparency of  
inputs

Market information

Disclosure

# Fair Value Measurement

## Summary

---

### **Accounting Updates – Financial Accounting Standards Board (FASB)**

Recent initiatives impacting the accounting of financial instruments:

- FAS 157-4 Determining fair value when volume and activity have decreased;  
Proposed March 2009, adopted for reporting periods beginning after 15 June 2009
- Topic 820-10 Improving disclosures about fair value measurements;  
Proposed Oct. 2009, partially adopted for fiscal years beginning after 15 December 2009.

These, with prior actions, have clarified and extended Fair Value standards:

- Placing a greater focus on the sources and process used
- Requiring more detailed reporting and transparency
- Folding-in new categories such as held-to-maturity assets and bank portfolio loans

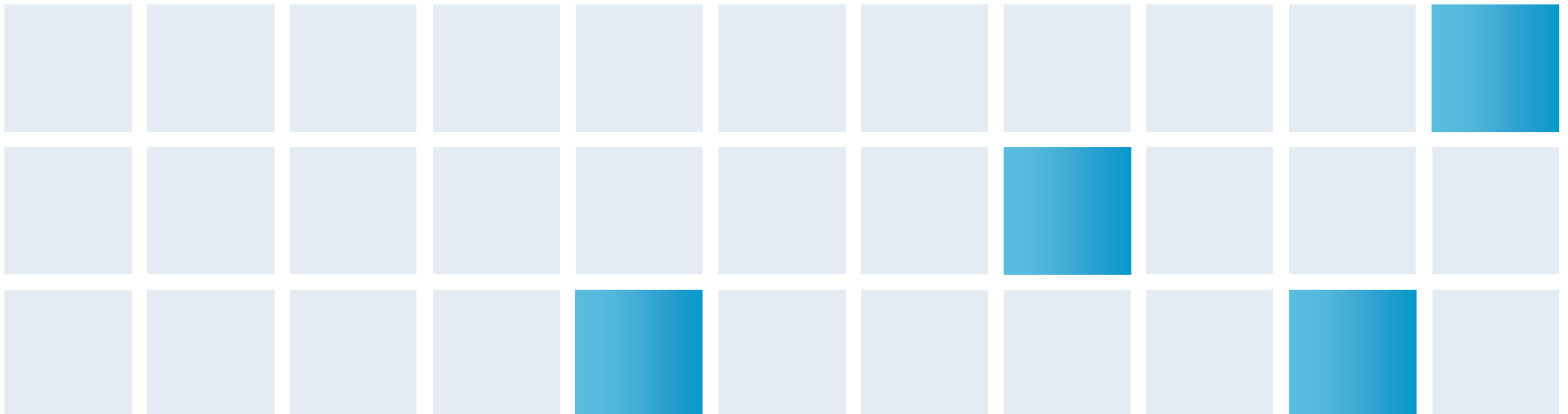
### **Accounting Updates – International Accounting Standards Board (IASB)**

- Working in tandem with FASB to improve financial instrument accounting and towards an overall convergence of global accounting standards
- Current overhaul of valuation standard (IAS 39), converting into IFRS 9 introduced November 2009

Fair value approach proposal is in line with FAS 157 (now Topic 820) and will become mandatory on 1 January 2013

- Simplifies the classification of instrument valuation approaches (fair value vs. amortized cost).
- During 2010 there will be a lot of consultation with relevant bodies as to the speed and shape of these changes, including how to converge with FASB.

## Accounting standards



# Global Objectives

## Reduce complexity of financial accounting

---

- 'A single set of high-quality, global accounting standards within the context of their independent standard-setting process' (G20)
- 'Our goal is to develop together common standards that improve financial reporting in the US and internationally and that foster global comparability' (FASB & IASB)

# Interactive Data

A Trusted Leader in Financial Information

[Magnus.Cattan@interactivedata.com](mailto:Magnus.Cattan@interactivedata.com)

