

October 28, 2008

Deliberations regarding measurement of fair value and reclassification of debt securities

In Japan, ASBJ Statement No. 10 (revised 2008) “Accounting Standard for Financial Instruments” provides with accounting treatments of financial instruments and measurement of fair value, and the application of that Statement is conducted in accordance with guidance etc. including “Practical Guidelines on Accounting Standards for Financial Instruments (Accounting System Committee Report No. 14)” of Japanese Institute of Certified Public Accountants (JICPA). The Accounting Standards Board of Japan (ASBJ) has received questions on measurement of fair value and reclassification of debt securities (i.e., change in holding-purpose category), in relation to the announcements¹ issued by international accounting standard setters in the background of recent turmoil in financial markets.

In relation to these, the following items have been deliberated at today’s 163th Board meeting and each of those items has publicly been released today.

- (1) Practical Issue Task Force No. 25, “Practical Solution on Measurement of Fair Value for Financial Assets”
- (2) “Discussion Paper on Reclassification of Debt Securities”

Measurement of fair value for financial assets is conducted according to the Statement No. 10 and related rules. The Practical Issue Task Force (1) above is purposed to confirm the points which had invited many questions in order to enhance better understanding of those standard and rules, taking into account comments received on its exposure draft the ASBJ issued on October 16, 2008.

The ASBJ also have received questions on reclassification of debt securities as the International Accounting Standards Board (IASB) issued on October 13, 2008, “Reclassification of financial assets (amendments to IAS 39 Financial Instruments; Recognition and Measurement and IFRS 7 Financial Instruments; Disclosure).” In response to those questions, the Discussion Paper (2) above has been released to invite comments broadly from public for future deliberations on that issue (comments to be submitted by noon on Tuesday, November 4, 2008). The ASBJ will proceed with its deliberation promptly, taking into account comments which the ASBJ will receive on the Discussion Paper.

¹ Please refer to footnote 2 of ASBJ’s press release “Accounting standards for fair value accounting and its measurements” dated October 16, 2008.