

November 6, 2008

## **Status of deliberations regarding reclassification of debt securities**

In Japan, ASBJ Statement No. 10 (revised 2008) “Accounting Standard for Financial Instruments” and Accounting System Committee Report No. 14 of Japanese Institute of Certified Public Accountants (JICPA) “Practical Guidelines on Accounting Standards for Financial Instruments” do not in principle allow the reclassification of the holding purpose category of debt securities once it was determined upon their initial recognition. Under those rules, the reclassification of debt securities is permitted only in limited situation. By strictly maintaining the holding purpose category of debt securities, the above standard and guideline aim to avoid any arbitrariness by the management judgment.

However, the Accounting Standards Board of Japan (ASBJ) has received questions on reclassification of debt securities (i.e., change in holding-purpose category), since 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 the background of the recent turmoil in financial markets. In response to those questions, the ASBJ has been deliberating whether accounting standard and its guidance of financial instruments in Japan are necessary to be revised.

Taking into account comments from public on the “Discussion Paper on Reclassification of Debt Securities”<sup>1</sup> that was released on October 28, 2008, this issue was deliberated at today’s 164th Board meeting of the ASBJ. The ASBJ will make further deliberation at 165th Board meeting which is scheduled to be held on November 12, 2008 with the intention to conclude this issue promptly, after following necessary due process including possible issuance of its exposure draft.

Measurement of fair value for financial assets is conducted in accordance with the Statement No. 10 and related rules. In order to enhance better understanding of those standard and rules, Practical Issue Task Force No. 25, “Practical Solution on Measurement of Fair Value for Financial Assets”<sup>2</sup> was released on October 28, 2008, for the purpose of confirming the points which had invited many questions in this matter.

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<sup>1</sup> This *Discussion Paper* is available in Japanese only.

<sup>2</sup> This *Practical Issue Task Force* is also available in Japanese only.