

**Mr. Hans Hoogervorst**  
**IASB**  
**30 Cannon Street**  
**London, EC4M 6XH**  
**United Kingdom**

**The IASB's Request for Information on the Post-implementation Review – IFRS  
13 *Fair Value Measurement***

Dear Mr Hoogervorst,

*Beste Hans,*

The European Securities and Markets Authority (ESMA) thanks you for the opportunity to contribute to the IASB's Post-Implementation Review (PIR) of IFRS 13 *Fair Value Measurement*. ESMA supports the IASB's objective to bring transparency, accountability and efficiency to financial markets by providing high-quality accounting standards.

ESMA believes that this objective can be effectively achieved when enforceability and decision usefulness of IFRSs is periodically tested. Therefore, we strongly support post-implementation reviews as an opportunity to assess how issuers incorporate in their financial statements the IFRS requirements and how these can be further improved to address any issues that may challenge the consistent application of IFRS and their enforceability.

With its *Report on the application of fair value measurement requirements in the IFRS financial statements* (hereinafter the 'ESMA Report on IFRS 13'), ESMA contributes to the IASB's Request for Information (RFI) with information based on both the experience of European enforcers and the results of a desktop review of a sample of issuers.

The ESMA Report on IFRS 13 considers how the requirements have been implemented and where IFRS 13 should be clarified to address divergence in practice or lack of comparability and provides recommendations on how issuers could improve their application of IFRS 13.

Overall, the results of the review show that the requirements of the Standard have generally been well incorporated in the financial statements of the issuers in the sample. However, ESMA identified selected areas in which it believes the IASB could intervene to improve the measurement and disclosure of fair value.

Specifically, while ESMA strongly supports the IASB's work towards *Better Communication in Financial Reporting* and expects that IFRS 13 will benefit from the IASB's work on the *Principles of Disclosure* project, ESMA recommends that the IASB expands the scope of IFRS



13 to require disclosures on the non-recurring fair value measurements occurring at initial recognition, such as those relating to IFRS 3 *Business Combinations*.

ESMA also highlights that evidence from European enforcement cases shows that there is still lack of clarity in the requirements relating to the applicable adjustments when measuring the fair value of quoted investments. Therefore ESMA urges the IASB to provide additional guidance and clarification in this area.

Finally, in ESMA's experience, additional examples could be helpful to explain what additional analysis issuers need to perform in order to conclude that a decrease in the volume or level of market activity indicates that a transaction or quoted price does not represent fair value or that a transaction is not orderly.

The ESMA report on IFRS 13 is included as Appendix I to this letter, together with a table of references linking specific sections of the report to the questions in the RFI (Appendix II). Please do not hesitate to contact us should you wish to discuss the contents of the report and any of our comments.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Steven Maijoor'. The signature is stylized and includes a horizontal line extending to the right.

Steven Maijoor



## List of Appendices

**Appendix I.** ESMA Report on Review of Fair Value Measurement in the IFRS financial statements (please refer to separate document ESMA32-67-284<sub>1</sub>)

**Appendix II.** Table of concordance between questions in the IASB's Request for Information and ESMA Report on IFRS 13

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<sub>1</sub> The report is available here: <https://www.esma.europa.eu/file/22623/download?token=JQtnTJ05>

## Appendix II – Table of concordance between questions in the IASB’s Request for Information and ESMA Report on IFRS 13

### Question 1 – Your background and Experience

- (a) The European Securities and Markets Authority (ESMA) is an independent EU Authority that contributes to establishing consistent application of IFRS in the European Union and to building a common supervisory culture and consistent approaches between national competent authorities in the EU.
- (b) European listed companies apply IFRS for their consolidated financial statements since 2005.

### Questions 2-5 & 8

The table below indicates where in ESMA Report on IFRS 13 information can be retrieved to address some of the questions raised in the IASB’s Request for Information for the PIR on IFRS 13.

<b>IASB PIR QUESTION NUMBER</b>	<b>ESMA REPORT ON IFRS 13 SECTIONS</b>
(2) Fair value measurement disclosures	Section 5.1 <i>Fair value disclosures</i>
(3) Prioritising Level 1 inputs or the unit of account	Section 5.2 <i>Unit of account</i>
(4) Application of the concept of highest and best use for non-financial assets	Section 5.5. <i>Other evidence from enforcement activities</i>
(5) Applying judgements required for fair value measurements	Section 5.3 <i>Impact of a decrease in market activity on the determination of an active market and the assessment of orderly transactions</i>
(8) Other matters	Section 5.4 <i>Valuation adjustments to measure the fair value of derivative positions (CVA, DVA and FVA)</i>
	Section 5.5. <i>Other evidence from enforcement activities</i>