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Re : **Draft comment letter on Discussion Paper "Fair value measurement"**

Dear Sirs,

We are pleased to provide you our thoughts on the subject draft comment letter. Before dealing with the specific questions, we think it is appropriate to express our general comments.

In addition to representing an innovation compared with the principles previously applied in many countries, the fair value measurement of certain assets and liabilities gives rise to considerable complications in terms of application. Therefore, a project that seeks to better define and harmonize the criteria of fair value measurement is one to be welcomed.
However, the types of assets and liabilities to be measured are very different. For example, the fair value measurement of intangible assets, most of which lack market references, involves considerations that are very different from those for determining the fair value of a financial instrument. Therefore, it is necessary that a general guide, such as FAS 157 could be, be accompanied by application appendices on the individual different items or by detailed guidance within the individual principles.

In regard to the definition of fair value, that currently given in the IFRS principles seems to be better suited to a very wide range of assets and liabilities to be measured. In particular, the definition of "exit price" and the reference to the "perspective of a market participant" do not seem appropriate. This is especially the case when using valuation models for which the determined value does not necessarily coincide with a hypothetical "exit price" and for which also 'entity specific' factors and inputs are important.

FAS 157, and hence also the possible IFRS principle (should it be drawn up in similar fashion), seems to have a disproportionate focus on financial instruments and does not adequately develop criteria for measuring the fair value of other assets, such as intangibles. The latter are becoming, and will continue to become, more important given the effect of the application of IFRS 3. Indeed, such values often constitute significant shares of cost allocation in a business combination.
Also in regard to financial instruments, there are some gaps in the current IAS 39 that need to be closed, and the document under discussion does not seem to address them in an appropriate way.
For example, "day one profit" recognition, fair value adjustment to take account of the quantity factor ("blockage factor"), and the fair value of issued liabilities are issues that have been under discussion for

several years. Concerning the first issue, it seems reasonable to recognise a profit at the moment of initial recognition for tradable instruments and those which are always measured at fair value. However, less convincing is the idea of recognising an initial profit (aside from the actual mark-up) for instruments not destined for trading and which no observable market-based values exist in their own reference market. The most common examples here are structured bond issues.
The quantity factor in the measurement of financial instruments cannot be ignored. It is well known that, above all for the shares of large listed companies, having a significant stake (and this may be as little as 2-3% of the capital) enables the holder to exert some influence on company policies. The purchase prices of these holdings do not normally pass through the retail market but through the so-called "block-trade" market. This is precisely because they do not occur at the same price as that quoted on the market and there is the desire to prevent the market price from being affected by such transactions. Imposing the use of the retail market prices in order to measure fair value or for the impairment test would, in most cases, oblige entities to write down the investment made. While recognising the complexity of the issue, the solutions proposed in IAS 39 and now also in FAS 157 do appear too simplistic.
In regard to issued financial liabilities, considering the credit risk of the issuer would lead to clearly unreasonable outcomes (the recognition of the capital gain with a worsening of the creditworthiness).

Finally, we agree with idea of introducing a "fair value hierarchy" even though, and above all with reference to levels 2 and 3, the guidance provided by the document does not appear sufficient to enable consistent application by all entities.

The following are our comments and observations to the questions raised in the draft comment letter:

Q1—In your view, would a single source of guidance for all fair value measurements in IFRSs both reduce complexity and improve consistency in measuring fair value? Why or why not?

Yes and no.
It is undoubtedly important that the term fair value should be defined in a consistent way and applied/valid for all the accounting principles.

However, we believe that FAS 157, in trying to provide a homogeneous guide for measuring fair value, mixes together rules concerning different items and the result may be misleading as specific rules for measuring non-financial items are presented together with the rules for measuring financial items.

To address these issues, it may be appropriate to provide 'general guidelines' in the main body of the principle and to leave it to adequate appendixes of the principle or to the application guidance of the specific IFRS to provide detailed indications on items that could/should be measured at fair value.

This presupposes the analysis of the IFRS principles that require fair value measurement in order to determine whether the definition of fair value on the basis of FAS 157 is consistent with the measurement/valuation objective of the principle and, where so, the provision of guidance that is consistent with the general rules laid down in FAS 157.

Furthermore, any fair value measurement guidance should also clarify where the determination of fair value is not possible for accounting purposes because of its unreliability (non-verifiability).

Q2—Is there fair value measurement guidance in IFRSs that you believe is preferable to the provisions of FAS 157? If so, please explain.

In our opinion, the instances of fair value measurement guidance included in the various IFRSs are not conceptually comparable with the guidance provided by FAS 157.

The instances of fair value measurement guidance included in the IFRSs have been defined with reference to a specific item. Consequently, they are suitable and appropriate for that item.

On the other hand, FAS 157 is a general principle that sets guidelines for fair value measurement and it combines together rules that are suitable for the fair value measurement of different kinds of items.

While this 'fit for all' approach may be important for achieving consistency between different standards in measuring fair value, we believe that it needs to be supplemented with detailed guidance on the various IFRS principles.

Q3—Do you agree that fair value should be defined as an exit price from the perspective of a market participant that holds the asset or owes the liability? Why or why not?

This question is a difficult one to answer as the answer depends on the item that has to be measured at fair value.

In general terms, it is true that a definition based on the 'exit price' is consistent with the current definition of asset/liability, although it should be noted that:

- the initial fair value measurement should not always have as its sole aim the indicating of expected flows of economic benefits but it should also identify the economic resources effectively 'staked' by the entity in order to acquire an asset. In such cases, a definition of the entry price may be more appropriate;
- the exit price is important where the entity intends to transfer an asset/liability so that the exit price does indeed represent the economic inflows/outflows expected by the entity.

Regarding the 'perspective of a market participant', we believe that, where this refers to a third party to the entity undertaking the transaction and, therefore, in contrast to an 'entity specific value', it may not always be appropriate. Where observable values in the market are not available, an entity has to make recourse to a measurement derived from internal measurement models that may also presuppose the using of information that is not available to the market.

Q4—Do you believe an entry price also reflects current market-based expectations of flows of economic benefit into or out of the entity? Why or why not? Additionally, do you agree with the view that, excluding transaction costs, entry and exit prices will differ only when they occur in different markets? Please provide a basis for your views.

In our opinion, in certain cases, the entry price reflects current market-based expectations of the flows of economic benefit, and in some circumstances this may be more useful than a valuation based on the exit price.

Furthermore, we believe that the entry price and exit price may be the same (excluding transaction costs) only in markets that are sufficiently liquid.
Unfortunately, liquid markets are rare. The markets for many items are illiquid; in such markets the entry price and exit price may differ because of:
- transaction costs,
- credit spreads,
- margin/mark-up applied, which may vary according to the operator (dealer).

For example, one could consider the case of a bank that grants a loan to an unlisted client.
In this case, the entry price is represented by the current value of the future cash flows as determined using the rate of interest applied to the client.

If the same bank were to dispose of the loan to another bank, it would probably not receive the current value of the future cash flows at the same rate.
The rate would be different because of the following circumstances:
- it is probable that the credit spread of the client will vary among the other banks as they use different internal models/variables in determining valuations;
- the margin/mark-up applied is different as it is not fixed in the market but depends on the set of business relations existing between the bank and the client.

Q5—Would it be advisable to eliminate the term 'fair value' and replace it with terms, such as 'current exit price' or 'current entry price', that more closely reflect the measurement objective for each situation? Please provide a basis for your views.

It is difficult to find one single term that could replace the current term of 'fair value' and be appropriate for any item that needed to be measured.

At the moment, the users and those who manage/prepare accounting/financial-statement data know and understand the term 'fair value' in accounting (for accounting purposes); the attaining of this level of understanding/learning necessitated serious training activity in the years leading up to 2005.

It is likely that replacing it with other terms would require further training sessions in order to avoid creating confusion.

On balance, we believe that the costs associated with replacing the term 'fair value' outweigh the benefits and, therefore, we do not agree with such a proposal.

Moreover:
- the definitions of 'current exit price' and 'current entry price' relate only to fair value measurements determined in liquid markets. Consequently, they would not be appropriate for items not traded in liquid markets;

- replacing the term ‘fair value’ with ‘current exit price’ and ‘current entry price’ has the drawback of losing sight of the objective of indicating/highlighting the concept of impartiality (fairness: equity/legality, impartiality, neutrality) in transactions.

Q6—Does the exit price measurement objective in SFAS 157 differ from fair value measurements in IFRSs as applied in practice? If so, which fair value measurements in IFRSs differ from the measurement objective in SFAS 157? In those circumstances, is the measurement objective as applied in practice an entry price? If not, what is the measurement objective applied in practice? Please provide a basis for your views.

As noted in the previous questions, the definition in FAS 157 is appropriate in regard to assets/liabilities traded in liquid markets, while in other cases (financial instruments not traded, tangible and intangible assets, agricultural products and biological assets) we are not convinced that such definition is more correct than the current IFRS one. In such cases the use of entity-specific measurements appears inevitable and that seems to be provided in the definition of FAS 157.

Q7—Do you agree with how the market participant view is articulated in SFAS 157? Why or why not?

As already mentioned, we believe that the notion of ‘market participant’ can be valid in the case of liquid markets. In the other cases (and these are the majority), it is difficult to believe that the view held by the subject valuing its own asset would be the same as that held by generic participants in the market. Inevitably, the income flows that the asset holder is able to receive from said asset will affect the valuing process.

Q8—Do you agree the market participant view in SFAS 157 is consistent with the concepts of ‘knowledgeable, willing parties’ and ‘arm’s length transaction’ as defined in IFRSs? If not, how do you believe they differ?

In general, the concept of ‘market participant’ is consistent with the current definition provided by IAS 39.

The DP emphasises that the fair value measurement is a market-based measurement and not a specific valuation by the entity. We believe that this may not always be consistent with the indications given in IAS 39; for example, where the input parameters are not observable, the specific input parameters of the entity have to be used.

Q9—Do you agree that the fair value of a liability should be based on the price that would be paid to transfer the liability to a market participant? Why or why not?

As already highlighted above, it is difficult to answer this question without knowing which type of liability is to be valued at fair value.
At the moment, the liabilities that have to measured at fair value are:

- liabilities acquired in a business combination for the purposes of allocating the purchase price;

- financial liabilities where held for negotiation or classified under the Fair Value Option.

In regard to financial liabilities, the definition of the exit price (‘transfer concept’) as outlined seems consistent with the objective of measurement as currently defined in IAS 39.
In particular, the definition proposed and the related guidance require that the fair value of the financial liabilities be determined also considering the changes in the creditworthiness of the issuer of the liability.
A concept of ‘settlement’ may not lead to this outcome. If a financial liability allows for early repayments with or without the payment of fixed commission, a concept of settlement may mean that the fair value of the liability would be equal to the residual debt plus the commission (where applicable).

However, there are some doubts/concerns as to whether the concept proposed would be relevant with reference to the financial liabilities that the entity intends, or is obliged, to hold until settlement.
This concept of fair value measurement would require the recognition of a profit if the creditworthiness of the issuer worsened, and the recognition of a loss if the creditworthiness of the issuer improved.
The outcome, in our opinion, would not yield the measurement of the expected future flows if the liability were held until settlement.

In regard to non-financial liabilities, there is little experience in their measurement.
However, it is likely that an external party would require a mark-up/margin in order to bear the liability of the entity that may be different from that which the entity would consider if the concept of settlement were applied.
We believe that this rule would add unnecessary complexity to the IFRS and that, given that the profit margins are not observable for obvious reasons, it would add subjectiveness to the measurement.

Hence, more detailed guidance on the individual types of liability would be useful.

Q10—Does the transfer measurement objective for liabilities in SFAS 157 differ from fair value measurements required by IFRSs as applied in practice? If so, in practice which fair value measurements under IFRSs differ from the transfer measurement objective in SFAS 157 and how do they differ?

See question Q9. In addition, we believe that the current IFRSs not necessarily require always the determination of a transfer price for the measurement of liabilities.

Q11—In your view is it appropriate to use a measurement that includes inputs that are not observable in a market as fair value at initial recognition, even if this measurement differs from the transaction price? Alternatively, in your view, in the absence of a fair value measurement based solely on observable market inputs, should the transaction price be presumed to be fair value at initial recognition, thereby potentially resulting in the deferral of day-one gains and losses? Please give reasons for your views.

In order to address this issue, it is necessary to make specific reference to the financial instruments.

It seems evident that the different approaches to the question by IAS 39 and FAS 157 may lead in many circumstances (when market-based prices are not used) to differing considerations concerning recognition of the so-called '*day-one profit*'. In particular, FAS 157 allows greater openness towards the recognition of a profit at the moment of disposal of a financial product.

In general, if a fair value measurement is appropriate, it should be correct to accept that the valuation of some instruments may be based on non-observable parameters given that few instruments are quoted on the markets.
This is also true for initial recognition.
Moreover, there would be no sense in requiring a fair value measurement for a later valuation date affirming/claiming that at the initial recognition date the fair value is equal to the transaction price, given that this would simply delay the recognition of the *day-one profit/loss*.
On the other hand, requiring the deferral for the life of the instrument of the '*non-observable*' '*day-one profit/loss'* would result, at the subsequent measurement, in the calculation of amounts that would not be consistent with the definition of fair value as proposed in the standard.

However, it is evident that, in the case where valuation models are used and in the absence of observable market parameters in the market in which the instrument is placed, it is very easy to recognise profits at the time of initial entry that do not represent a true and proper gain resulting from the placing of the instrument (and so to be recognised in only one amount) but relate to an effect arising from the valuation model.

Thus, the important point is to distinguish the so-called mark-up, which rightly should be recognised as a profit at the moment of initial recognition, from the other components that, in the absence of appropriate valorization instruments, it is generally agreed more correct to spread throughout the life of the instrument.

The issue is extremely delicate and, therefore, in order to prevent possible abuses, we believe that the question should be the subject of full and thorough discussion and that appropriate guidance should be provided.

Q12—Do you believe that the provisions of SFAS 157, considered in conjunction with the unit of account guidance in IAS 39, would result in a portfolio-based valuation of identifiable risks of instruments considered in aggregate, or an in-exchange exit price for the individual instruments? Please give reasons for your views.

We do not believe that the use of the unit of account to measure financial instruments is sufficiently clear in IAS 39.
While some paragraphs of IAS 39 clearly indicate that the unit of account is to be considered for the individual instrument, there are other paragraphs that seem to allow a portfolio-based valuation.

In addition, it is not clear what the terms 'portfolio' and 'individual instruments' really mean.

In particular, consider the case of a bank that sells structured derivatives (e.g. an IRS plus an option) to retail/corporate parties.
While there is only one contract, two instruments are sold.

At the moment, banks measure such structured derivatives by subdividing the contract into its component parts; in the example, an IRS and an option, and attributing to them the fair value of the individual IRS and of the individual option observed in the most advantageous market (wholesale market).
This enables recognition of the day-one profit, which *de facto* includes the margin earned for providing the 'structuring of the service' to the client.

On the basis of this approach, the 'individual instruments' are the component parts of the contract.

On the other hand, if for valuation purposes the 'individual instruments' are the contract as a whole, the measurement procedures will change (will have to be modified) significantly as will the amounts recognised in the profit and loss account. Indeed, in this situation, the bank selling the structured derivatives to the corporate/retail market would determine its measurements by attributing the fair value of an identical structured derivative concluded in the wholesale market and, therefore, the profit for the structuring of the product would no longer be recognised at the moment of initial recognition.

In general, we believe it correct that for tradable financial instruments the profit arising from the structuring of the product should be recognised at the initial moment.

Q13—Do you agree that a fair value measurement should be based on the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability? Why or why not?

In many circumstances, the principal market should be the most advantageous market.
Furthermore, for those instruments where no liquid markets exist, it would be difficult to identify the most advantageous market.
Perhaps, in these cases, the principal and the most advantageous market should be that in which the transaction has taken place.

Q14—Do you agree that a fair value measurement should consider attributes specific to the asset or liability that market participants would consider in pricing the asset or liability? If not, why?

In general, we agree that a fair value measurement should consider/include attributes specific to the asset or liability that market participants would consider significant, e.g. the condition, location and limits/restrictions on its use or sale.

Consequently, the instrument to be measured is not a generic object of the same type but that currently held by the entity.

However, it is necessary to note that:

- it may be difficult to identify which 'specific attributes/characteristics' the market would consider in the pricing of the objects/instruments. In some cases, assets such as plant and machinery are made-to-measure in order to satisfy the need of the entity that uses them and, consequently, they have specific characteristics that differentiate them from a 'standard' tangible asset traded on the market. Determining how and by how much these specific attributes

affect the fair value may be highly subjective given that the market may consider them as having no value.

- the consideration of specific attributes/characteristics of assets/liabilities in the measurement will increase the use of entity-specific input parameters given that it is difficult to find active markets.

Q15—Do you agree that transaction costs that would be incurred in a transaction to sell an asset or transfer a liability are an attribute of the transaction and not of the asset or liability? If not, why?

We agree that the transaction costs are an attribute of the transaction and that, therefore, in general they should not be considered in the fair value measurement.

However, if the costs incurred are deemed recoverable at the moment of the disposal of the asset, it would be correct to adjust the fair value in order to take account of such costs incurred.

Q16—Do you agree that the risk of non-performance, including credit risk, should be considered in measuring the fair value of a liability? If not, why?

In regard to financial liabilities, as indicated in Q9, we believe the recognition of gains (losses) when the creditworthiness of the entity declines (increases) to be non-intuitive and not significant for the users of financial statements.
Moreover, it is not clear which types of risks, in addition to credit risk, are included under the term 'non-performance risk'.
It is our opinion that the term refers only to non-financial liabilities and serves to create consistency with the definition of fair value for financial liabilities. However, we believe that this is not sufficiently clear in the standard.

Q17—Is it clear that the 'in-use valuation premise' used to measure the fair value of an asset in SFAS 157 is different from 'value in use' in IAS 36? Why or why not?

In terms of definition, it is sufficiently clear that the 'in-use valuation premise' is different from 'value in use' in IAS 36.

While the 'in-use valuation premise' is a 'market-specific' value based on market expectations, the 'value in use' is an 'entity-specific' value based on the expectations of the entity regarding the financial flows generated by the asset.

However, where there is no active market, the two values will *de facto* tend to coincide.
If the asset is not quoted, the fair value can be calculated by discounting back the future financial flows at the current rate of interest.
In this case, the difference between the 'in-use valuation premise' and the 'value in use' measurements will depend on how the financial flows are calculated:
- using the 'in-use valuation premise' approach, they should represent market expectations
- using the 'value in use' approach, they should represent the expectations of the entity.

We believe that in the absence of market inputs the two values of financial flows are virtually the same given that it would be almost impossible to use the expectations of the market (unknown) in place of those of the entity.

Q18—Do you agree with the hierarchy in SFAS 157? If not, why?

In general, we agree with the proposed hierarchy, which seems similar to that outlined in the guidance to the IFRS principles.

However, on the basis of para. AG 73 of IAS 39, the instruments that are measured using quoted parameters should be considered as quoted under the current guidance, but they would be considered as level 2 on the basis of the DP.

Furthermore, the IAS 39 currently in effect requires that the equity instruments should be measured at cost if they are not quoted in an active market and if the fair value cannot be determined in a reliable/verifiable way. We believe that such instruments (which are level 3 on the basis of the hierarchy of FAS 157) should be kept at cost.

For these reasons, we think that the DP should clarify when fair value measurement is not possible for accounting purposes.

Q19—Are the differences between the levels of the hierarchy clear? If not, what additional information would be helpful in clarifying the differences between the levels?

The differences between level 1 and level 2 seem sufficiently clear.
The differences between level 2 (observable parameters) and level 3 (non-observable parameters) are less clear, particularly in regard to para. 28d (parameters principally derived from or demonstrated by market data observable by correlation or other methods).
Consequently, it is advisable to provide detailed guidance, also with regard to reliability (verifiability of the observable parameters).

Q20—Do you agree with the provision of SFAS 157 that a blockage adjustment should be prohibited for financial instruments when there is a price for the financial instrument in an active market (Level 1)? In addition, do you agree that this provision should apply as a principle to all levels of the hierarchy? Please provide a basis for your views.

We believe it to be true that large quantities of securities are traded for amounts that may be different from PxQ.
In such cases, if the entity intends to sell such securities in blocks, an adjustment to the fair value determined as PxQ would provide a better reflection of the expected flows of economic benefit.

In such circumstances, if the entity has made a block purchase of a certain quantity of securities and if that quantity incorporates a premium for the influence that, following the purchase, the entity can exercise on the holding, it seems absurd to oblige the entity itself to reduce the value of the asset at

initial recognition or at the subsequent measurement because the purchase price includes the above-mentioned premium and the fair value does not.

Certainly, the issue is a delicate one as any adjustment to the market price opens the door to subjectiveness. Moreover, the item, purchased as a block, could then be sold on in smaller quantities. Therefore, it is necessary to consider the limitations of and perhaps specific deliberations by the board of directors of the entity at the moment of purchase in order to be able to make adjustments to the determination of fair value.

This delicate issue needs to be addressed and cannot be resolved in peremptory fashion as envisaged by FAS 157 and IAS 39.

Q21—Do you agree that fair value measurements should be determined using the price within the bid-ask spread that is most representative of fair value in the circumstances, as prescribed by paragraph 31 of SFAS 157? Alternatively, do you believe that the guidance contained in IFRSs, which generally requires assets to be valued at the bid price and liabilities at the ask price, is more appropriate? Please explain the basis for your view.

The spread between the bid and ask can often not be determined and in some circumstances the different negotiating power of the parties may lead to the determining of a transaction price within the said spread.
For this reason, we think that a pricing convention based on the middle values (mid) would be more appropriate and would simplify the valuing process without lessening the meaningfulness of the value so determined (rather, sometimes it results to be the best assumption for the valuing process).

Q22—Should a pricing convention (such as mid-market pricing or bid price for assets and ask price for liabilities) be allowed even when another price within the bid-ask spread might be more representative of fair value? Why or why not?

See question Q21.

Q23—Should bid-ask pricing guidance apply to all levels of the hierarchy, including when the fair value measurement includes unobservable inputs? Why or why not?

The measurement techniques currently used for measuring the fair value of non-quoted inputs use parameters observed at their mid-market value.
We do not think that the adjustment of such parameters to reflect the bid-ask spread is market practice. Consequently, we think that any bid-ask pricing guidance should only be applied to level 1 inputs.

Q24—Do the disclosure requirements of SFAS 157 provide sufficient information? If not, what additional disclosures do you believe would be helpful to users and why? Alternatively, are there disclosures required by SFAS 157 that you believe are excessive or not beneficial when considered in conjunction with other disclosures required by IFRSs? Please provide a basis for your view.

Broadly speaking, we believe that the disclosures proposed are sufficient and consistent with the current IFRS principles.
However, as the typology of disclosure differs according to the assets and liabilities that are measured at fair value, it is more appropriate to keep the indications on disclosure requirements within the context of the individual principles.

Q25—Does the guidance in Appendices A and B of SFAS 157 sufficiently illustrate the standard's principles and provisions as they would apply under IFRSs? If not, please specify what additional guidance you believe is needed and why.

In general, we think that the proposed guidance is not sufficient to enable consistent application to assets and liabilities.
In particular, additional guidance on the following aspects would be useful:
- the difference between level 2 and level 3 of the hierarchy,
- the difference between the concepts of 'in-use valuation premise' and 'exchange valuation premise'.

Furthermore, there should be clarification on the interaction between the valuation of the various assets and liabilities and the levels of the hierarchy of fair value.
FAS 157 requires the measurement of assets at fair value assuming the value determined by a market participant on the basis of his estimate of the best result so obtained.
However, it is not clear whether such valuation takes precedence over the fair value hierarchy.

For example, it is supposed that the fair value can be determined on the basis of the different 'use valuation premises':
- an 'in-use' valuation. In this case, the measurement of fair value requires the use of non-observable parameters (internal), so the fair value would be classed as level 3;
- an 'in-exchange' valuation. In this case, given that the parameters are observable, the fair value would be classed as level 2.

The entity believes that the most correct measurement is that based on the 'in-use' valuation.

In this example, it is not clear whether the entity should:
- give precedence to the 'use valuation premise' valuation and present a level 3 fair value measurement;
- give precedence to the fair value hierarchy and present a level 2 fair value measurement even if this is not consistent with the valuation premise.

The examples given in the implementation guidance do not help to address this aspect.
Furthermore, guidance would be necessary in regard to:
- determining the exit price in illiquid markets;
- which other risks, as well as own rating, are included in the definition of "non performance risk" for the valuation of liabilities;
- distinguishing between observable and non observable inputs.

Finally, we once again pinpoint the necessity of clarifying the recognition of "day one profit" and non observable inputs.

Q26—Does the guidance in Appendices A and B of SFAS 157 sufficiently illustrate the standard's principles and provisions as they would apply in emerging or developing markets? If not, please

specify what additional guidance you believe is needed and the most effective way to provide this guidance (for example, through additional implementation guidance or through focused education efforts).

It seems that the document focuses on “financial instruments”, and particularly on those traded in liquid markets. It is likely that in an emerging or developing market would arise significant issues relating to other assets; we believe that by large, for these assets there is no liquid market.

We hope the foregoing may help you in finalizing your letter.

Yours sincerely

Prof. Angelo Provasoli

(OIC – Chairman)