



January 31, 2007

## Memorandum

Re: IASB Measurement Roundtable, February 1, 2007, Norwalk, Ct.

Dear Roundtable Participant:

Morag Fullilove (GNAIE Staff) was present as an observer at the IASB Measurement Roundtables in London, UK on January 29, 2007. It is our hope that it will be useful to all to share some of her comments and observations concerning the London sessions.

The following Board members attended one or more of the sessions: Sir David Tweedie; Patricia O' Malley; Mary Barth; Hans-Georg Bruns; Philippe Danjou; Jan Engström; Gilbert Gelard; John Smith; Tatsumi Yamada.

Sir David said he would be unable to attend the Norwalk, CT. Roundtable, but that four or five Board members would be attending. Generally, the sessions were informal. The lack of introductions made it difficult for those listening by audio. All three sessions began with a review of the Milestones by IASB Staff. Discussion of the meeting handouts particularly focused on the multicolored Statement of Financial Condition for the XYZ Corporation (printing it in color will be helpful).

The three sessions were very similar. Major points raised by participants were:

1. The discussion focused almost entirely on what measurement basis should be used and when.
2. There was overwhelming agreement that it was an important first step to define the purpose of financial statements.
3. There was also an overwhelming sense that the Board needed to determine what users wanted from the financial reports. Most users said the balance sheet was irrelevant to them. Several said they were looking for information on cash flows rather than value at a point in time. One panelist said one of the Big Four firms was about to release a survey of fifty users on this topic.
4. Most argued in terms of a practical approach, rather than a theoretical approach.
5. Most were in agreement that, in general, financial instruments should be measured at fair value. John Smith (IASB) argued debt instruments should be included as well.
6. However, there was nearly unanimous agreement that there was no single relevant measurement basis. Most people felt that all 19 measurement bases outlined in the materials could be applicable to all assets and liabilities, but the key was to pick the **most relevant**. Almost everyone spoke in favor of a **mixed attribute model**.
7. Disclosure was considered to be very important, especially disclosure of the measurement basis used and the reasons why. Communications was mentioned several times.
8. There was a strong expression that **reliability** was more important than comparability, therefore, fair value should only be used when an active market existed and not always in those cases.

## IASB Measurement Roundtable, London Summary

9. There was serious concern about the reliability of mark-to-model values. The representative of the Basel Committee was very strong on this point, saying management could come up with any number.
10. Participants were also more concerned about reliability than asset/liability mismatch. Most had no problem with several different measurement bases being used in the same financial reports. Ms. Barth found this hard to understand.
11. Many participants argued that entity specific values should be permitted when appropriate.
12. There was overwhelming agreement that the measurement basis should reflect the **strategic management objectives**. Several analysts said they wanted the management point of view. Board members fought back saying that the same asset should have the same value. There was no support for their position, although there was some support for the Board imposing limits on management discretion in selecting the measurement basis. The IOSCO representative spoke for consistency within an industry.
13. Value in use was preferred for going concerns. There were several references to the need to use historic costs in some cases. Several others argued that there was a time dimension to the selection of measurement basis. For example, values for in use activities would be different than in liquidation. Mr. Danjou agreed with this.
14. There were several comments that **stewardship** was important and should be retained as a specific objective of financial statements.

Kevin Spataro (Allstate) will be representing the GNAIE at the Norwalk, CT Roundtable. Mr. Spataro, in planning for the roundtables, intends to not be concerned about repetition of the ideas expressed by the participants in London, but to repeat and reinforce those comments above that are consistent with the GNAIE's position.

Thank you for your attention, and we look forward to seeing you in Norwalk.

Sincerely,



Douglas Wm. Barnert  
Executive Director  
Group of North American Insurance Enterprises, Inc.  
40 Exchange Place, Suite 1707  
New York, NY 10005