

VIA ELECTRONIC MAIL: [iasb@iasb.org](mailto:iasb@iasb.org)

International Accounting Standards Board  
Attn. Sir David Tweedie, Chairman  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Re: ED/2009/5

18<sup>th</sup> September 2009

Dear Sir,

Interactive Data Corporation (“Interactive Data”) welcomes the opportunity to respond to the International Accounting Standards Board’s (“IASB”) invitation to comment on the exposure draft ED/2009/5, Fair Value Measurement (“ED/2009/5”) proposed 28<sup>th</sup> May 2009.

Interactive Data’s Pricing and Reference Data business is a leading provider of pricing and fixed income evaluations for the financial industry in support of our clients’ pricing, research and portfolio management activities. We also offer Fair Value Information Services for certain international equity securities, as well as valuations for a range of derivative instruments. Following the issuance of IASB’s amendments to International Accounting Standard no.39, Financial Instruments: Recognition and Measurement (“IAS 39”) and the FASB’s Statement of Financial Accounting Standards No.157, Fair Value Measurements (formerly “FAS 157” and now referred to as Topic 820), we have been engaging with our clients and other industry participants regarding the role of market data providers and the information that we can supply to support financial statement preparers with their fair value requirements.

A primary role of financial reporting is to present a realistic financial picture to investors, regulators and stakeholders and, as such, Interactive Data supports the IASB in its goal to clarify and improve the consistency of international financial reporting standards with respect to fair value measurements. Interactive Data recognises that market participants have diverse views on the merits of fair value measurement, and that this is reflected amongst the board members of the IASB. In this comment letter, we take no position regarding the relative merits of fair value or “mark-to-market” accounting.

We have noted that this exposure draft has many similarities with FASB’s recently updated Topic 820 and believe the consistency will benefit institutions with global client bases. In addition, it will serve as a step towards the end goal of wider IASB and FASB convergence.

As a company, we support clients in their preparation of financial statements through the provision of pricing, valuation and other services. We have therefore outlined below our observations with respect to implementing the changes proposed in this exposure draft from an operational perspective.

### ***Question 1***

*The exposure draft proposes defining fair value as ‘the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date’ (an exit price) (see paragraph 1 of the draft IFRS and paragraphs BC15–BC18 of the Basis for Conclusions). This definition is relevant only when fair value is used in IFRSs.*

*Is this definition appropriate? Why or why not? If not, what would be a better definition and why?*

Interactive Data supports the IASB in its aim to clarify the definition of fair value, and believes that the proposed definition is appropriate. Interactive Data provides fixed income evaluations that represent our good faith opinion as to what a buyer in the marketplace would pay for a security in a current sale. We believe the core principle of the exposure draft, that fair value should reflect an exit price, is consistent with our objectives and practices and is an appropriate definition of fair value.

### ***Question 10***

*The exposure draft proposes guidance on valuation techniques, including specific guidance on markets that are no longer active (see paragraphs 38–55 of the draft IFRS, paragraphs B5–B18 of Appendix B, paragraphs BC80–BC97 of the Basis for Conclusions and paragraphs IE10–IE21 and IE28–IE38 of the draft illustrative examples).*

*Is this proposed guidance appropriate and sufficient? Why or why not?*

As a leading provider of pricing and fixed income evaluations, Interactive Data frequently uses models and techniques that are consistent with the description of the market approach (such as matrix pricing) through the use of observable inputs. Interactive Data notes that in paragraph 38, the exposure draft identifies matrix pricing as an example of a valuation technique that is consistent with the market approach. The exposure draft defines matrix pricing in Paragraph 38 (a) as “a mathematical technique used principally to value debt securities without relying exclusively on quoted prices for the specific securities, but relying on the securities’ relationship to other benchmark quoted securities.” Interactive Data observes that this definition incorporates elements of the income approach described in Paragraph 38 (b) and as such would suggest that the IASB consider additional guidance to make clear that the different approaches are not mutually exclusive, and that acceptable valuation techniques may combine elements that are consistent with one or more of these approaches.

Paragraph B5 of Appendix B states that one factor which may indicate that a market is not active is where “there has been a significant decrease in the volume and level of activity for the asset or liability when compared with normal market activity.” Even prior to the current credit crunch, a report by the Securities Industry Financial Markets Association in 2006 stated that only 0.45% of the corporate debt outstanding

traded on an average day. This level of activity could be seen as an indication that the corporate debt markets are inactive and therefore “transactions or quoted prices in that market may not be determinative of fair value.” (Paragraph B6 of Appendix B).

Paragraphs B5-B15 of the exposure draft include guidance regarding the determination of whether a market is active and transactions are orderly. Interactive Data notes in particular the guidance in paragraph B11 that, “Even if a market is not active, it is not appropriate to conclude that all transactions in that market are not orderly...” and that, “Measuring fair value in a market that is not active depends on the facts and circumstances and requires the use of significant judgement.” Interactive Data believes the exposure draft places an appropriate emphasis on the use of judgment by financial statement preparers in determining fair value measurements, especially in the case of inactive markets and transactions that are not orderly.

Paragraphs IE30-IE38 of the Draft Illustrative Examples highlight the use of judgment when measuring the fair value of a financial asset when the market for that financial asset is not active. Paragraphs IE 36 and 38(b) explain that Entity A placed little to no weight on these indicative broker quotes because the entity was “unable to evaluate the valuation techniques or inputs used to develop the quotes.” We point out that paragraph B8 of the exposure draft states that, “A wide range of fair value estimates may be an indication that further analysis is needed.” Interactive Data would like to highlight that the Draft Illustrative Examples could be clarified to illustrate the opportunity for further analysis of information such as indicative broker quotes. Under Interactive Data’s approach to fixed income evaluations, our staff would perform quantitative and qualitative analysis of broker quotes and other observable market data in the context of comparable securities and other pertinent market information.

### ***Question 11***

*The exposure draft proposes disclosure requirements to enable users of financial statements to assess the methods and inputs used to develop fair value measurements and, for fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period (see paragraphs 56–61 of the draft IFRS and paragraphs BC98–BC106 of the Basis for Conclusions).*

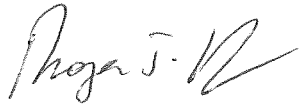
*Are these proposals appropriate? Why or why not?*

It is reasonable for financial statements to present, for the benefit of users, the context in which valuations have been determined. Interactive Data has some questions, however, on paragraph 57(g), which states financial reporting entities assess and disclose, if significant, the impact of “changing one or more of the inputs to reasonably possible alternative assumptions” for fair value measurements within Level 3. Interactive Data is also actively involved in reviewing the FASB’s exposure draft for improving disclosures about fair value measurements, and one area of discussion will centre around the practicality of sensitivity analyses based on an income versus a market approach.

## ***Conclusions***

Interactive Data supports the work of the IASB to bring increased clarity, guidance and transparency to fair value measurement and we are grateful for the opportunity to provide our perspective on ED/2009/5. We would also welcome the opportunity to participate in the forthcoming round table discussions in London on the 11<sup>th</sup> December 2009.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger S. V.", written in a cursive style.

Roger Sargeant  
Managing Director - International