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Brussels, 31 May 2006

**European Banking Industry's Comment Letter on the Discussion paper "Measurement Bases for Financial Accounting – Measurement on Initial recognition"**

Dear Sir,

The IASB and the FASB are currently discussing measurement issues both in the context of their convergence programme and other ongoing projects such as a Conceptual Framework. The discussion paper which the Canadian Accounting Standards Board has prepared examines issues related to the measurement of assets and liabilities on initial recognition and analyses various possible measurement bases. This provides both Boards' constituents with an opportunity to comment at an early stage on issues of measurement, which the European Banking Industry considers highly important.

However, we believe the Discussion paper to have some fundamental weaknesses. Moreover, we are not in agreement with some of the major conclusions which it has drawn. This is explained in the attached comment letter

The discussion paper aims at achieving consistency in measurement approaches and models between individual standards and the Conceptual Framework, which is welcomed. However, we believe that pertinent comments on the paper's conclusions regarding the appropriateness and superiority of certain measurement bases are impossible without a clear definition of what view of a company's financial performance and financial position its annual accounts are actually supposed to reflect.

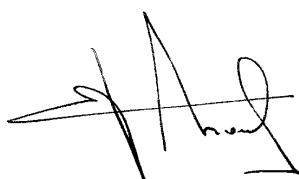
We note furthermore that the discussion paper seems to advocate moving towards full fair value accounting. Yet it remains an open question whether there is any need at all for a new measurement approach and, accordingly, for changes to existing measurement principles. Furthermore, the paper is unable to deliver a conclusive argument which demonstrates that fair value measurement meets the overarching objective of decision usefulness. Because no observable market price exists for the vast majority of assets and liabilities, we believe full fair value accounting to raise a number of difficulties and unresolved questions to which, in our eyes, the discussion paper fails to provide a satisfactory response.

It needs to be observed, finally, that initial measurement also has far-reaching implications for re-measurement and that these two aspects cannot be examined in isolation from one another.

Yours sincerely,



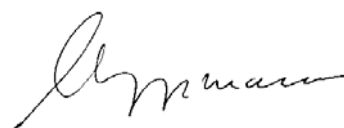
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