

The fair value hierarchy when third-party consensus prices are used (IFRS 13 *Fair Value Measurement*)—January 2015

The Interpretations Committee received a request to clarify under what circumstances prices that are provided by third parties would qualify as Level 1 in the fair value hierarchy in accordance with IFRS 13 *Fair Value Measurement*. The submitter noted that there are divergent views on the level within the hierarchy in which fair value measurements based on prices received from third parties should be classified.

The Interpretations Committee noted that when assets or liabilities are measured on the basis of prices provided by third parties, the classification of those measurements within the fair value hierarchy will depend on the evaluation of the inputs used by the third party to derive those prices, instead of on the pricing methodology used. In other words, the fair value hierarchy prioritises the inputs to valuation techniques, not the valuation techniques used to measure fair value. In accordance with IFRS 13, only unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date qualify as Level 1 inputs. Consequently, the Interpretations Committee noted that a fair value measurement that is based on prices provided by third parties may only be categorised within Level 1 of the fair value hierarchy if the measurement relies solely on unadjusted quoted prices in an active market for an identical instrument that the entity can access at the measurement date.

The Interpretations Committee also observed that the guidance in IFRS 13 relating to the classification of measurements within the fair value hierarchy is sufficient to draw an appropriate conclusion on the issue submitted.

On the basis of the analysis performed, the Interpretations Committee determined that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee decided not to add this issue to its agenda.