 Download This Paper (Delivery.cfm/SSRN\_ID947569\_code456443.pdf?abstractid=947569&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN\_ID947569\_code456443.pdf?abstractid=947569&mirid=1&type=2)

 Add Paper to My Library

Share:    

## Fair Value Accounting for Financial Instruments: Some Implications for Bank Regulation

*BIS Working Paper No. 209*

32 Pages

Posted: 20 Sep 2007

Wayne R. Landsman ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=16839](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=16839))

University of North Carolina Kenan-Flagler Business School

Date Written: August 2006

### Abstract


I identify issues that bank regulators need to consider if fair value accounting is used for determining bank regulatory capital and when making regulatory decisions. In financial reporting, US and international accounting standard setters have issued several disclosure and measurement and recognition standards for financial instruments and all indications are that both standard setters will mandate recognition of all financial instruments at fair value. To help identify important issues for bank regulators, I briefly review capital market studies that examine the usefulness of fair value accounting to investors, and discuss marking-to-market implementation issues of determining financial instruments' fair values. In doing so, I identify several key issues. First, regulators need to consider how to let managers reveal private information in their fair value estimates while minimising strategic manipulation of model inputs to manage income and regulatory capital. Second, regulators need to consider how best to minimise measurement error in fair values to maximise their usefulness to investors and creditors when making investment decisions, and to ensure bank managers have incentives to select investments that maximise economic efficiency of the banking system. Third, cross-country institutional differences are likely to play an important role in determining the effectiveness of using mark-to-market accounting for financial reporting and bank regulation.

**Keywords:** Fair values, financial instruments, information asymmetry

**JEL Classification:** E58, G15, G21, G28, M41, M44

[Suggested Citation](#) >

[Show Contact Information](#) >

 Download This Paper (Delivery.cfm/SSRN\_ID947569\_code456443.pdf?abstractid=947569&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN\_ID947569\_code456443.pdf?abstractid=947569&mirid=1&type=2)

## 34 References

1. D Aboody , M E Barth , R Kasznik  
SFAS no 123 Stock-based employee compensation and equity market values  
Journal of Accounting and Economics , volume 26 , p. 251 - 75 Posted: 1999  
Crossref (<https://doi.org/10.2308/accr.2004.79.2.251>)
2. Do firms manage stock-based compensation expense disclosed under SFAS 123? Posted: 2005  
Crossref (<https://doi.org/10.1007/s11142-006-9013-0>)
3. A Ahmed , Takeda  
Stock market valuation of gains and losses on commercial banks' investment securities: an empirical analysis  
Journal of Accounting and Economics , volume 20 , p. 207 - 232 Posted: 1995  
We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](https://www.elsevier.com/legal/cookiepolicy) (<https://www.elsevier.com/legal/cookiepolicy>)  
Crossref ([https://doi.org/10.1016/0165-4101\(95\)00396-z](https://doi.org/10.1016/0165-4101(95)00396-z))
4. M E Barth  
Relative Measurement Errors Among Alternative Pension Asset and Liability Measures

[Cookie Settings](#)

Accept all cookies

## 0 Citations

Fetch Citations



Do you have a job opening that you would like to promote on SSRN?

Place Job Opening (<https://www.ssrn.com/index.cfm/en/Announcements-Jobs/>)

## Paper statistics

DOWNLOADS	4,821
ABSTRACT VIEWS	19,088
RANK	3,907

34 Citations

34 References

PlumX Metrics



([https://plumx.ssrn.com/?ssrn\\_id=947569](https://plumx.ssrn.com/?ssrn_id=947569))

## Related eJournals

Financial Accounting eJournal ([https://papers.ssrn.com/sol3/JELJOUR\\_Results.cfm?form\\_name=journalBrowse&journal\\_id=1508710](https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1508710))

Follow



Regulation of Financial Institutions eJournal ([https://papers.ssrn.com/sol3/JELJOUR\\_Results.cfm?form\\_name=journalBrowse&journal\\_id=146770](https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=146770))

Follow



View more >

## Recommended Papers

Marking to Market: Panacea or Pandora's Box? ([https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1186362&rec=1&srcabs=947569&pos=1](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1186362&rec=1&srcabs=947569&pos=1))

By Guillaume Plantin ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=370995](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=370995)), Hareesh Sapra ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=33555](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=33555)), ...

Mark-to-Market Accounting and Liquidity Pricing ([https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=919900&rec=1&srcabs=947569&pos=2](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=919900&rec=1&srcabs=947569&pos=2))


By Franklin Allen ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=2686031](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2686031)) and Elena Carletti ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=181201](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=181201))


Accounting in and for the Subprime Crisis ([https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1115323&rec=1&srcabs=947569&pos=3](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1115323&rec=1&srcabs=947569&pos=3))

By Stephen G. Ryan ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=20955](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=20955))

View more >

Feedback

[SSRN Quick Links](#) 

[SSRN Rankings](#) 

[About SSRN](#) 

 [\(https://www.facebook.com/SSRNcommunity/\)](https://www.facebook.com/SSRNcommunity/)

 [in](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3) [trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany\\_493409%2Cidx%3](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3)

 [\(https://twitter.com/SSRN\)](https://twitter.com/SSRN)

[\(http://www.elsevier.com/\)](http://www.elsevier.com/)

[Copyright \(https://www.ssrn.com/index.cfm/en/dmca-notice-policy/\)](https://www.ssrn.com/index.cfm/en/dmca-notice-policy/)

[Terms and Conditions \(https://www.ssrn.com/index.cfm/en/terms-of-use/\)](https://www.ssrn.com/index.cfm/en/terms-of-use/)

[Privacy Policy \(https://www.elsevier.com/legal/privacy-policy\)](https://www.elsevier.com/legal/privacy-policy)

All content on this site: Copyright © 2023 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit [Cookie Settings](#).



[\(http://www.relx.com/\)](http://www.relx.com/)

<https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true>