

E-mail

Brussels, 15 June 2010

European Financial Reporting Advisory Group
35 Square de Meeûs
B-1000 Brussels

commentletter@efrag.org

Subject: *Response to EFRAG comment letter on impairment*

Dear members of the EFRAG Technical Expert Group,

The European Banking Federation welcomes the opportunity to comment on EFRAG's proposed response to the Exposure Draft. It will come as no surprise that the EBF has been engaged in an intense dialogue with the IASB and other stakeholders on the project to replace IAS 39. The EBF members have been studying the exposure draft on amortised cost and impairments in great detail.

The Federation believes that the ED is an important step in the right direction as the industry conceptually supports the development of an impairment model that is based on "expected loss", rather than the current "incurred loss" model in IAS 39.

In common with many others, we however see both conceptual and practical difficulties with the IASB's proposed cash flow model, not least the proposed adjustment to Expected Interest Rates, the operational burden of the data requirements and whether the proposed catch up adjustment mechanism will provide reliable and useful information to the users of financial statements about credit losses.

In an effort to help the Board resolve these, the EBF has developed its own model on expected loss supported by other European Credit Sector Associations¹, which is currently being discussed with the IASB as well as the Basel Committee.

We note that the IASB is continuing to consider several important aspects of the ED, including the advice received from the Expert Advisory Panel on significant operational issues, and that the proposals are therefore subject to further development before a final standard can be issued.

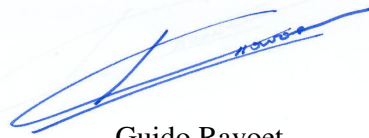
a.i.s.b.l. ¹ ESBG (European Savings Banks Group) and EACB (European Association of Cooperative Banks)

We remain convinced that the conceptual and practical shortcomings of the IASB's model can be overcome. We would therefore urge EFRAG to make clear to the IASB the need for the Board to engage in a full and open dialogue with its constituents when it comes to evaluate the responses to the ED. This process should include a dialogue with the profession, the Basel Committee and industry on whether alternative models might better meet the G20's objectives. It may well require the Board to reissue the Exposure Draft for comments before issuing a final standard.

The EBF plans to submit its alternative model in response to the ED. We are open to further discuss with you the accounting for financial instruments under IFRS and are also very willing to further explain our request as expressed in this letter.

For your information, we are enclosing the relevant documentation on the EBF alternative model.

Yours sincerely,



Guido Ravoet

Enclosure: 1