Date

9 October 2007

Le Président

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des Experts
Comptables
Européens
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Mr. Stig Enevoldsen
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commentletter@efrag.org

Dear Mr. Enevoldsen,

Re: EFRAG Draft Comment Letter on IFRIC D22 Hedges of a Net Investment in a Foreign Operation

FEE (Fédération des Experts Comptables Européens, European Federation of Accountants) is pleased to submit its views on the EFRAG draft comment letter on the IFRIC Draft interpretation D22.

We agree with EFRAG that there is a need for an interpretation on the accounting for hedges of a net investment in a foreign operation, in particular that guidance is necessary on the nature of the hedged risk for which a hedging relationship may be designated and where in a group the hedging instrument can be held.

We agree with the draft interpretation that:

- The hedged risk should be the difference between the functional currencies of the parent entity and its foreign operation and not the difference between the presentation currency of the parent entity's financial statements and the functional currency of the foreign operation. There is consensus to support the arguments for this conclusion as presented in the BC 12 and BC 13;

- The hedged risk may include foreign exchange differences between the functional currency of the foreign operation and any intermediate or ultimate parent entity. There is consensus to support this on the basis that the consolidation method adopted (step-by-step or direct methods) should result in the same net investment hedge;

- The hedging instrument(s) may be held by any entities within the group, regardless of its functional currency. There is consensus to support this, in particular to support hedge accounting in groups that chose to centralize their treasury operations.

We support the issue detailed in paragraph 3 of the EFRAG draft comment letter and we also believe it would be useful to state clearer that there is a need for clarification on how to determine the effective and ineffective portions of the hedge to be included in equity and profit or loss respectively. While it is clear that this split will depend on where the hedging instrument is held, there is not sufficient guidance on how the allocation between the effective and the ineffective portions should be determined. We consider this an important technical remark and suggest that EFRAG puts more emphasis on this by referring also to this issue in the cover letter.

We would be pleased to discuss any aspect of this letter you may wish to raise with us.

Yours sincerely,

Jacques Potdevin
President