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Re: Exposure Draft 'Improving Disclosures about Financial Instruments – Proposed amendments to IFRS 7'

Dear Sir,

The Belgian Accounting Standards Board appreciates the opportunity to respond to the Draft Comment Letter on the Exposure Draft 'Improving Disclosures about Financial Instruments – Proposed amendments to IFRS 7'.

FAIR VALUE MEASUREMENTS

Question 1: Use of a fair value hierarchy
Do you agree with the proposal in paragraph 27A to require entities to disclose the fair value of financial instruments using a fair value hierarchy? If not, why?

Question 2: Proposed three-level hierarchy
Do you agree with the three level hierarchy as set out in paragraph 27A? If not, why? What would you propose instead and why?

We support the idea to introduce a fair value hierarchy to classify fair value measurements. This fair value hierarchy shall have three levels and should reflect the significance of the inputs used in making the measurements (27A). Nevertheless in our view the classification will be very difficult in practice.

Question 3: Required disclosures
Do you agree with the proposals in:
(a) *Paragraph 27B to require expanded disclosures about the fair value measurements recognised in the statement of financial position? If not, why? What would you propose instead, and why?*

(b) *Paragraph 27C to require entities to classify, by level of the fair value hierarchy, the* *disclosures about the fair value of the financial instruments that are not measured at fair value? If not, why? What would you propose instead, and why?*

Paragraph 27B would require expanded disclosure about the fair value of financial instruments that are measured at fair value in the statement of financial position. Paragraph 27C would require limited disclosure about the fair value of financial instruments that are not measured at fair value in the statement of financial position.

We agree with the proposed amendments.

LIQUIDITY RISK

Question 4 and question 5: Maturity analyses
Do you agree with the proposal in paragraph 39(a) to require entities to disclose a maturity analysis based on how the entity manages the liquidity risk associated with such instruments? If not, why? What would you propose instead, and why?

We fully agree with the proposal to introduce the disclosure requirement on the liquidity risk associated with the derivative and non-derivative financial liabilities.
On the other hand we think it is important not only to focus on the liabilities, but also on the assets used in hedging transactions.

Question 7 and 8: Definition of liquidity risk
Do you agree with the proposed effective date? If not, why not? What would you propose instead, and why? Are the transition requirements appropriate? If not, why? What would you propose instead, and why?

We agree with the proposed amendments.

In general, we agree with the views set out in the draft comment letter. However, we are not convinced that al those mandatory disclosures will provide more clarification. In our opinion the disclosure requirements are to complex and time-consuming without providing sufficient additional benefit.
More clarification can be achieved by accentuating more ‘principle based’ disclosures instead of ‘rule-based’ requirements (cfr. IFRS 8 Operating Segments – management approach). The most disclosure requirements provide information only concerning the long term ability of the entity. For this reason, we have concerns about the added value of the additional requirements.

Yours sincerely,

Jan Verhoeye
Chairman Belgian Accountant Standards Board