Date

10 December 2008

Le Président

Fédération des Experts Comptables Européens AISBL

Avenue d'Auderghem 22-28/8
1040 Bruxelles
Tél. 32 (0) 2 285 40 85
Fax: 32 (0) 2 231 11 12
E-mail: secretariat@fee.be

Mr. Stig Enevoldsen
Chairman
Technical Expert Group
EFRAG
Avenue des Arts 13-14
B-1000 BRUXELLES

E-mail: commentletter@efrag.org

Dear Mr. Enevoldsen,

Re: EFRAG Draft Comment Letter on IASB Exposure Draft of Improving Disclosures about Financial Instruments

1. FEE (Fédération des Experts comptables Européens - Federation of European Accountants) is pleased to submit its comments on the EFRAG Draft Comment Letter on the IASB Exposure Draft of Proposed Amendments to IFRS 7 – Improving Disclosures about Financial Instruments (the "ED").

2. Like EFRAG, we agree with most of the proposals in the ED related to fair value measurements.

3. However, we disagree with the introduction into IFRS 7 of a three-level fair value hierarchy, similar to that used in SFAS 157. This three-level hierarchy was first raised in the context of IFRS by the Fair Value Measurements Discussion Paper. The proposed three-level approach needs to be fully evaluated taking account of the reactions of the Discussion Paper. So we would prefer the three-level hierarchy introduction being addressed first as a measurement issue before being addressed as additional disclosures. Significant decisions like a three-level hierarchy decision should be part of the main project.

4. In relation to fair value measurement disclosures, EFRAG proposes the level 3 sensitivity analysis of paragraph 27B (d) be extended to instruments that are not measured at fair value in the statement of financial position. We question whether such additional disclosure is feasible in practice and such measurement is readily available. The right balance needs to be struck between sufficient disclosures useful to users and the practicality for preparers. We believe that in many cases the benefits of these disclosures may not justify the costs.

5. Concerning liquidity risk disclosure, EFRAG suggests disclosures based on how entities manage liquidity risk and based on a contractual maturity analysis for derivative financial instruments. Requiring additional disclosure (based on contractual maturity) would move away from a principle based approach, and is likely to add further burdens for preparers and will not necessarily be of value to users. Accordingly we disagree with the EFRAG proposal. Moreover, for corporate entities that manage their derivative instruments based on contractual maturity, managing "through the eyes of management" will mean that disclosures of contractual maturity are made since they provide relevant information to users. In our views, the approach of requiring only disclosures based on how entities manage liquidity risk is preferable for derivatives and provides the necessary flexibility.

6. The usefulness of additional disclosures should be carefully considered. In general, we favour less but more meaningful disclosures. A careful balance needs to be struck between additional information and overloading users with information thus risking detracting users from the key information.

Appendix – Responses to the Invitation to Comment

Fair Value Measurements

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

7. Taking into account our comments set out in paragraph 3 of this letter, we agree with EFRAG and the IASB with the proposal in paragraph 27A to require entities to disclose the fair value of financial instruments using a fair value hierarchy. We believe it is useful to disclose the subjectivity in fair value measurement. This, however, does not mean that we currently favour the three-level hierarchy (see paragraph 8 below).

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?*

8. We disagree with the introduction of the proposed three-level hierarchy in this amendment as explained in paragraph 3 of this letter and propose to require the proposed disclosures in two levels based on observable and non-observable measurement inputs. The proposed integration of a fair value hierarchy which is similar to the fair value hierarchy set out in SFAS 157 might prejudice the outcome of the IASB's fair value measurement project. Instead, a thorough discussion of all relevant aspects is of crucial importance before coming to the conclusion that the respective requirements from US GAAP should be implemented into IFRS.

Question 3: Required disclosures *– Do you agree with the proposals in:*

(a) Paragraph 27B to require expanded disclosure 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?*

9. Subject to our comments in paragraph 8, we agree with EFRAG that the proposed disclosures in paragraph 27B about the fair value measurements of financial instruments recognised in the statement of financial position are appropriate. We also agree like EFRAG with the proposed disclosures in paragraph 27C about the fair value measurements of financial instruments that are not measured at fair value in the statement of financial position. Furthermore, we agree with EFRAG on the disclosure of a sensitivity analysis for level 3 fair value measurements as set out in paragraph 27B (d).

10. We believe however that to encourage early adoption of the amendments to IFRS 7, entities that choose to early adopt should not be obliged to disclose comparatives.

Question for EFRAG's constituents

Some members of EFRAG's User Panel suggested that the proposed additional sensitivity disclosures, which the ED proposes should apply only to those instruments measured at fair value, should also apply to instruments that are not recognised in the statement of financial position and to instruments that are recognised in the statement of financial position but not measured at fair value. In their view, the proposed disclosures make fair value information more useful, regardless of whether the fair value appears in the statement of financial position or in the notes (as would be the case for instruments not recognised in that statement and instruments measured at amortised cost).

However, some EFRAG members believe that the benefit of such additional disclosure would not justify its cost.

EFRAG would particularly welcome constituents' views on this issue

11. We refer to our comments in paragraph 4 of this letter.

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?*

12. Like EFRAG, we agree with the IASB proposal to disclose a maturity analysis based on how the entity manages the liquidity risk associated with such instruments.

Question for EFRAG's constituents

As the table shows, the proposal is that a contractual maturity analysis should still be provided for non-derivative financial liabilities, but not for derivatives. EFRAG has discussed this issue at length, and members have differing views:

- *Some EFRAG members believe that contractual maturity analyses provide useful information that helps users to understand what the worst-case scenario could be should expectations about maturity change. In their view, this is the case regardless of whether the liability is a derivative or a non-derivative.*
- *Some EFRAG members believe that a contractual maturity analysis for derivative instruments usually has too little information value to be a required disclosure. In their view, the ED was right in proposing to still require a contractual maturity analysis for non-derivative financial liabilities but not for derivatives.*
- *Some EFRAG members do not believe that the case for treating derivatives and non-derivatives differently has been made; either a contractual maturity analysis is useful and should be required in both cases, or it is not sufficiently useful and should be required in neither case.*

EFRAG would particularly welcome constituents' view on the issue.

13. FEE supports the second view set out by EFRAG: a contractual maturity analysis for derivative instruments usually has too little information value to be a required disclosure. We

also refer to our observations in paragraph 4 of this letter. We are of the opinion that accounting should reflect what the business does.

14. We agree with EFRAG that a maturity analysis of financial liabilities only does not give a complete view of the liquidity position of an entity since it does not include financial assets. We agree that the content of paragraph B11E should be moved from the application guidance to the main body of the proposed standard to give equal emphasis to the treatment of assets and liabilities.

Question 7 and question 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?*

15. Like EFRAG, we agree with a suggested effective date of 1 July 2009 with earlier application of the amendments being permitted. In case of early adoption, we believe that the entity should not be obliged to disclose comparative figures in the first year of application (see also our comments in paragraph 10 of this letter).

Drafting Comments

16. We agree with the drafting comments set out in paragraphs 17 and 18 of the EFRAG letter. In addition to the comments raised concerning “amount” and “for those assets and liabilities that are still held at the end of the reporting period”, we suggest it would be helpful if IASB provided a clarification of what is meant by “unrealised gains” and “unrealised losses” in the context of the amended Standard. These terms have different meanings in different jurisdictions, in particular for financial instruments measured at fair value in the statement of financial position.

17. Furthermore, we believe it would be helpful if entities were to support their quantitative disclosures with qualitative information, including how they have interpreted “active market” and how they determine “significance of the inputs” (paragraph 27A). Improved qualitative disclosures in this respect would be helpful for the user of financial instruments.

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

Yours sincerely,

Jacques Potdevin
President

Ref: BAN/JP/SS-SL