



European Financial Reporting Advisory Group ■

**DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON
Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge
Accounting**

INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS

Comments should be sent to commentletters@efrag.org by 11 July 2013

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the *Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting* ('Amendments to IAS 39'). In order to do that, EFRAG has been carrying out an assessment of the Amendments to IAS 39 against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

A summary of the Amendments to IAS 39 is set out in Appendix 1.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

EFRAG initial assessments summarised in this questionnaire will be amended to reflect EFRAG's decisions on Appendix 2 and 3.

1 Please provide the following details about yourself:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Linde AG

- (b) Are you a:

Preparer User Other (please specify)

- _____
(c) Please provide a short description of your activity:

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Corporate entity in the sectors industrial gases
and engineering

(d) Country where you are located:

Germany

(e) Contact details including e-mail address:

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2 EFRAG's initial assessment of the Amendments to IAS 39 is that they meet the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and they meet the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2.

(a) Do you agree with this assessment?

Yes

No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of the Amendments to IAS 39? If there are, what are those issues and why do you believe they are relevant to the evaluation?

N/A

3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments to IAS 39 in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 5 to 7 of Appendix 3. To summarise, EFRAG's initial assessment is that the Amendments to IAS 39 will not result in increased costs to users, i.e., it is likely to be cost neutral.

Do you agree with this assessment?

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Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

- 4 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments to IAS 39. The results of the initial assessment of benefits are set out in paragraphs 2 to 4 of Appendix 3. To summarise, EFRAG's initial assessment is that the overall benefits of not derecognising the hedge accounting relationships are likely to outweigh costs associated with providing this information to users.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

- 5 EFRAG's initial assessment is that the benefits to be derived from implementing the Amendments to IAS 39 in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

- 6 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the Amendments to IAS 39.

Do you agree that there are no other factors?

Yes No

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If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?
