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Our ref:	RJ-EFRAG 559 A
Direct dial:	0031 20 3010235
Date:	Amsterdam, March 27th 2013
Re:	Comment on Exposure Draft *Novation of Derivatives and Continuation of Hedge Accounting – Proposed amendments to IAS 39 and IFRS 9*

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to provide you with comments in connection with your draft comment letter to the IASB regarding Exposure Draft *Novation of Derivatives and Continuation of Hedge Accounting – Proposed amendments to IAS 39 and IFRS 9* (the 'ED').

We refer to our enclosed letter to the IASB in connection with this ED. That letter also covers the answer to your questions to EFRAG's constituents.

We agree to the proposed amendment that clarifies that hedge accounting can be continued upon novation, although, we believe that, rather than through a narrow scope amendment, such novations should be dealt with through a general principle that covers these, but also other similar situations.

We will be pleased to give you any further information that you may require.

Yours sincerely,

Hans de Munnik
Chairman Dutch Accounting Standards Board

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Our ref :	RJ-IASB 439 A
Direct dial:	0031 20 3010235
Date:	Amsterdam, March 27th 2013
Re:	Comment on Exposure Draft *Novation of Derivatives and Continuation of Hedge Accounting – Proposed amendments to IAS 39 and IFRS 9*

Dear members of the International Accounting Standards Board,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to comment on your Exposure Draft *Novation of Derivatives and Continuation of Hedge Accounting – Proposed amendments to IAS 39 and IFRS 9* (the 'ED').

We agree to the proposed amendment that clarifies that hedge accounting can be continued upon novation, although, we believe that, rather than through a narrow scope amendment, such novations should be dealt with through a general principle that covers these, but also other similar situations.

In Appendix A to this letter we have included our responses to your detailed questions.

We will be pleased to give you any further information that you may require.

Yours sincerely,

Hans de Munnik
Chairman Dutch Accounting Standards Board

Appendix A to Comments on the Exposure Draft *Novation of Derivatives and Continuation of Hedge Accounting – Proposed amendments to IAS 39 and IFRS 9*

Question 1
The IASB proposes to amend IAS 39 so that the novation of a hedging instrument does not cause an entity to discontinue hedge accounting if, and only if, the following conditions are met:

(i) the novation is required by laws or regulations;
(ii) the novation results in a central counterparty (sometimes called 'clearing organisation' or 'clearing agency') becoming the new counterparty to each of the parties to the novated derivative; and
(iii) the changes to the terms of the novated derivative arising from the novation of the contract to a central counterparty are limited to those that are necessary to effect the terms of the novated derivative. Such changes would be limited to those that are consistent with the terms that would have been expected if the contract had originally been entered into with the central counterparty. These changes include changes in the collateral requirements of the novated derivative as a result of the novation; rights to offset receivables and payables balances with the central counterparty; and charges levied by the central counterparty.

Do you agree with this proposal? If not, why? What criteria would you propose instead, and why?

Answer to question 1
Yes, we agree to the proposed amendment that clarifies that hedge accounting can be continued upon novation. Although, we believe that, rather than through a narrow scope amendment, such novations should be dealt with through a general principle that covers these, but also other similar situations.

We do not believe that a required novation to a central counterparty (CCP) is different to any other novation (i.e., a voluntary novation to a CCP or any other third party, or a mandatory novation to any other third party) when the condition as set out in (iii) is met. The derecognition of the derivative and the discontinuation of hedge accounting should not necessary be linked. When in substance the hedge relationship is still in place after a novation and meets all the criteria for hedge accounting, then hedge accounting should be continued similar to a replacement or rollover as described in paragraph 91 of IAS 39. We believe that the IASB's idea behind a novation (i.e., whether it is required or voluntary) and the party the derivative is novated to do not change the economic substance of a novation. Restricting the proposed exemption to required novations to CCP only would in our view be arbitrary and would not result in decision useful financial reporting.

We stress that certain regulations, for example the Dodd-Frank Act, must be applied prospectively, meaning that only new derivatives will have to be novated to a CCP. The proposed exception would not be required for such derivatives, considering that entities could simply include the subsequent novation in the hedge documentation. Also, some entities may wish to voluntarily novate existing derivatives to make use of the standardised processes of a CCP, rather than being required to do so. Furthermore, it is common for derivatives to be novated from the acquiree to the acquirer as a result of a business combination. This would result in a change in the counterparty for any entity holding a derivative with the acquiree. Such novations should not have to be treated as a discontinuation when the derivatives are designated in a hedging relationship.

Question 2
The IASB proposes to address those novations arising from current changes in legislation or regulation requiring the greater use of central counterparties. To do this it has limited the scope of the proposed amendments to a novation that is required by such laws or regulations. Do you agree that the scope of the proposed amendment will provide relief for all novations arising from such legislation or regulations? If not, why not and how would you propose to define the scope?

Answer to question 2
No, we refer to our answer to question 1.

Question 3
The IASB also proposes that equivalent amendments to those proposed for IAS 39 be made to the forthcoming chapter on hedge accounting which will be incorporated in IFRS 9 Financial Instruments. The proposed requirements to be included in IFRS 9 are based on the draft requirements of the chapter on hedge accounting, which is published on the IASB's website.

Do you agree? Why or why not?

Answer to question 3
We agree that the same relief should be offered under IFRS 9.

Question4
The IASB considered requiring disclosures when an entity does not discontinue hedge accounting as a result of a novation that meets the criteria of these proposed amendments to IAS 39. However, the IASB decided not to do so in this circumstance for the reason set out in paragraph BC13 of this proposal.

Do you agree? Why or why not?

Answer to question 4
We agree that no specific disclosures should be required.