



Accounting Standards Board

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15 January 2009

Dear Stig

EFRAG's Draft Comment Letter (DCL) on the IASB's ED of proposed amendments to IFRS 7 'Investments in Debt Securities'

Thank you for providing the Board with the opportunity to comment on your draft response to the International Accounting Standards Board's (IASB) exposure draft (ED) 'Investments in Debt Securities'.

The Board has responded directly to the IASB and a copy of our letter is attached.

We agree with the conclusions EFRAG has reached in its draft comment letter, and the concerns raised.

The DCL asks a question to constituents. The ASB's comments on this are set out in the Appendix to this letter.

Should you have any queries regarding our response please contact me, or Seema Jamil-O'Neill, Project Director, on +44 207 492 2422 or by email s.jamiloneill@frc-asb.org.uk.

Yours sincerely

Ian Mackintosh

Chairman

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Responses to EFRAG's Questions to constituents

Paragraph 7 of the Appendix to the DCL

In paragraph 6 (b) above we stated that it might not be correct to assume that no new information needs to be gathered to provide the additional disclosures. Do you agree? If so, could you provide examples?

ASB response

The ASB's understanding is the same as EFRAG's ie that, even if the proposed disclosures are largely based on information already required by IFRS 7, it could be burdensome for some entities to gather and analyse the information needed to meet the new requirements.

Paragraph 16 of the Appendix to the DCL

We are therefore inclined to the view that the IASB should undertake further analysis and consideration before bringing forward even disclosure proposals in this area. In normal circumstances we would wish to consult widely on this issue before issuing our draft comment line but, because of the timetable involved, this has not been possible so we would welcome your views on whether there is any merit in limiting the scope of the ED's proposed disclosures just to debt securities classified as AFS and treated under IAS 39 as impaired. Our concern is that there are too many issues to be addressed to ensure that the recognition and measurement of impairments is inappropriate for it to be possible to improve the quality of the information provided through disclosure. Behind this is a concern that we cannot keep adding disclosure requirements in the hope that the disclosures will be useful to someone; we should be sure the disclosures will really shed new insights or enhance the usefulness of the other information provided.

We would therefore welcome your views on whether there is any merit in limiting the scope of the ED's proposed disclosures just to debt securities classified as AFS and treated under IAS 39 as impaired.

ASB response

The ASB shares EFRAG's concerns that, even if the scope of the proposed disclosures was limited to debt securities classified as AFS and treated under IAS 39 as impaired, there are still too many issues need to be addressed.



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International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

15 January 2009

Dear Sirs

Exposure Draft of proposed amendments to IFRS 7 'Investments in Debt Instruments'

The ASB is responding to the Exposure Draft (ED) 'Investments in Debt Instruments'. The ASB's responses to the questions asked in the ED are set in an Appendix to this letter.

The ASB has a number of concerns about the proposed amendments to IFRS 7, in particular:

1. *Implementation timetable and effective date:* we do not support rushing the proposed amendments through and applying an effective date of annual periods ending on or after 15 December 2008. Backdating the effective date of application of standards should only be proposed in exceptional circumstances and/or where amendments clarify something which the IASB clearly intended in the first place (for example, in the proposed amendments to IFRIC 9 and IAS 39 on embedded derivatives issued on 22 December 2008). Additionally, bearing in mind that IFRS is applied mainly by listed groups we believe this effective date is likely to pose significant practical difficulties for such preparers with 31 December 2008 year-ends. Most subsidiaries reporting to their head offices for group financial reporting purposes have deadlines that fall in the first or second week of January. The issue of the ED in final form in late January or early February does not permit these entities sufficient time to collate the relevant data for year-end reporting purposes.
2. *Usefulness of disclosures proposed:* the ASB notes that the proposals have been made as a consequence of comments made at the public round-table meetings held in November and December 2008 in response to the global financial crisis. However, we also note that the comments made in these meetings suggested that disaggregated information about impairment losses on available-for-sale (AFS) debt instruments would be useful. The proposed amendments go further than that. We are not convinced by the IASB's

rationale (in paragraph BC6 of the ED) that “even more comprehensive disclosures would allow users of financial statements to compare investments in all debt instruments (other than those classified as at fair value through profit or loss), and so would improve financial reporting”. The ASB supports proposals for additional disclosures, where they will enhance the usefulness and quality of information in financial statements. But, to our mind, more disclosure is not necessarily better, in particular in the ‘what if’ scenarios proposed in the ED. Furthermore, the recognition and measurement requirements of the underlying standards in this particular area are especially particularly complex and have been much criticised. In our view, the IASB should address these aspects, together with a more considered assessment of the related disclosures that are informative for users of the financial statements, rather than attempting a quick fix as proposed in the ED.

3. *Burden on preparers*: following on from the above points, we are also concerned about the potential burden on preparers. The ASB acknowledges that paragraph 25 of IFRS 7 already requires an entity to disclose, for each class of financial assets and financial liabilities, the fair value of that class in a way that permits it to be compared with its carrying amount. That said, paragraph 29 (a) notes that disclosures of fair values are not required when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term receivables and payables. We assume that paragraph 29 (a) will apply as appropriate to the required disclosures in paragraph 30A, which should lessen the burden on preparers, although it makes us further question the value of the disclosures being proposed.

Should you have any queries regarding our response please contact me or Seema Jamil-O’Neill, Project Director, on 020 7492 2422 or by email s.jamiloneill@frc-asb.org.uk.

Yours sincerely



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Chairman

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Appendix – Response to Invitation to Comment

Question 1

The exposure draft proposes in paragraph 30A(a) to require entities to disclose the pre-tax profit or loss as though all investments in debt instruments (other than those classified as at fair value through profit or loss) had been (i) classified as at fair value through profit or loss and (ii) accounted for at amortised cost. Do you agree with that proposal? If not, why? What would you propose instead, and why?

ASB response

No. The ASB does not agree with the proposal, for the reasons set out in the covering letter.

Question 2

The exposure draft proposes to require disclosing the pre-tax profit or loss amount that would have resulted under two alternative classification assumptions. Should reconciliations be required between profit or loss and the profit or loss that would have resulted under the two scenarios? If so, why and what level of detail should be required for such reconciliations?

ASB response

No. The ASB does not agree that any such reconciliations should be required.

Question 3

The exposure draft proposes in paragraph 30A(b) to require entities to disclose for all investments in debt instruments (other than those classified as at fair value through profit or loss) a summary of the different measurement bases of these instruments that sets out (i) the measurement as in the statement of financial position, (ii) fair value and (iii) amortised cost. Do you agree with that proposal? If not, why? What would you propose instead, and why?

ASB response

No. The ASB does not agree with the proposal, for the reasons set out in the covering letter.

Question 4

The exposure draft proposes a scope that excludes investments in debt instruments classified as at fair value through profit or loss. Do you agree with that proposal? If not, would you propose including investments in debt instruments designated as at fair value through profit or loss or those classified as held for trading or both, and if so, why?

ASB response

Yes. The ASB agrees with the scope exclusions for debt instruments classified as at fair value through profit or loss, should the proposed amendments be confirmed.

Questions 5 and 6

Do you agree with the proposed effective date? If not, why? What would you propose instead, and why?

Are the transition requirements appropriate? If not, why? What would you propose instead, and why?

ASB response

No. The ASB does not agree with the proposed effective date and transitional requirements, for the reasons set out in the covering letter.