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9<sup>th</sup> July 2013

**Re: Draft endorsement advice on IASB *Amendments to IAS 39 –  
Novation of Derivatives and Continuation of Hedge Accounting***

Dear Françoise,

We are pleased to provide EFRAG with our comments in order to contribute to the finalization of the EFRAG endorsement advice on the IASB Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting.

With regard to the EFRAG's technical assessment of the Amendments to IAS 39 against the endorsement criteria and the EFRAG's evaluation of the costs and benefits, we are in agreement.

Although we agree, on balance, with the conclusion reached by EFRAG TEG, we would like to stress the message, also included in your draft endorsement advice, that the amendment fails to fully meet because the comparability and understandability criterion. On this regard we would like to recall what was pointed out in our comment letter to ED that was not addressed by the IASB: "*We do think that different types of novations, such as those described above, that are common and relevant in practice (e.g. after a business combination a new entity becomes the counterpart of an existing contract, succeeding to the old one) should be included in the scope of the amendments proposed*".

Our responses to the invitation to comment raised in your Draft endorsement advice are provided in the Appendix to this letter.

If you have any questions concerning our comments, please do not hesitate to contact us.

Yours sincerely,

Angelo Casò  
(Chairman)

## APPENDIX

### Specific responses

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:

Organismo Italiano di Contabilità - the Italian Standards Setter

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- (b) Are you a:  
 Preparer  User  Other (please specify)

National Standards Setter

\_\_\_\_\_

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

\_\_\_\_\_

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- (d) Country where you are located:

Italy

\_\_\_\_\_

- (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?

X 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.

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- (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?

No, there are not.

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- 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 **Errore. L'origine riferimento non è stata trovata.** and **Errore. L'origine riferimento non è stata trovata.** of Appendix 3. To summarise, EFRAG's initial assessment is that overall, the Amendments are likely to reduce the one-off costs at the date of transition to IFRS for first-time adopters and do not impact the ongoing costs of applying IFRS for preparers. In addition, EFRAG's initial assessment is that the Amendments will not significantly affect the costs for users.

Do you agree with this assessment?

X 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?

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- 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 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?

X Yes  No

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

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- 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?

X Yes  No

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

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- 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?

X Yes  No

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

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