

Ms. Françoise Flores  
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6 July 2010

Ref. FIRA/fp

J.no. 489-0002

**Re: IASB's ED on the Fair Value Option for Financial Liabilities**

Dear Ms. Flores


Enclosed please find a copy of a comment letter from the Danish FSA sent to the IASB on the ED on the fair value option for financial liabilities.

The Danish FSA hopes that EFRAG will take the views expressed in the letter into account when finalizing its own comment letter to the IASB.

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Kind regards



Jan Parner  
Deputy Director General

**MINISTRY OF ECONOMIC AND  
BUSINESS AFFAIRS**



Sir David Tweedie  
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United Kingdom

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**RE: IASB's ED on the Fair Value Option for Financial Liabilities**

Dear Sir David,

The Danish Financial Supervisory Authority (Danish FSA) thanks for the opportunity to comment on the ED on the fair value option for financial liabilities.

The Danish FSA is responsible for the supervision of all financial undertakings and the securities markets in Denmark. The Danish FSA is a member of the Committee of European Banking Supervisors (CEBS), the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) and the Committee of European Securities Regulators (CESR) and the Danish FSA refers to the comment letters on the ED submitted by these organizations.

The Danish FSA appreciates the IASB's efforts to seek an accounting treatment for financial liabilities that corresponds to the needs of users of financial reports.

The reason for this letter is that the Danish FSA would like to stress the importance of inserting an option in the forthcoming standard allowing for the presentation of the full fair value change of financial liabilities in profit and loss in cases where the general approach proposed in the ED would create accounting mismatches.

The way the Danish mortgage credit system is functioning provides an example of how the splitting of the fair value changes of financial liabilities in relation to P/L and OCI can result in accounting mismatches for the entities involved because the own credit risk of the mortgage banks is reflected not only in the banks' liabilities but also in related assets. For technical details we refer to the comment letter submitted by the organizations representing the Danish mortgage banks, the Association of Danish Mortgage Banks (Realkreditrådet) and the Danish Mortgage Banks' Federation (Realkreditforeningen).

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The Danish mortgage credit system is an important part of the Danish financial system and the Danish FSA finds it important that the functioning of the system is not distorted by accounting mismatches in the accounts of the mortgage banks.

A copy of this letter is sent to the European Financial Reporting Advisory Group (EFRAG).

Kind regards



Jan Parner  
Deputy Director General