DUTCH ACCOUNTING STANDARDS BOARD (DASB)

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Direct dial : Tel.: (+31) 20 301 0391 / Fax: (+31) 20 301 0279
Date : Amsterdam, 5 July 2010
Re : Exposure Draft *Fair Value Option for Financial Liabilities*

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond on your draft comment letter on the Exposure Draft *Fair Value Option for Financial Liabilities.*

In general, we support the approach the Exposure Draft presents to the accounting of Financial Liabilities. Evaluating the ED in more detail, we share the EFRAG suggestions and comments. With respect to the questions 2, 7, and 9, we have additional suggestions or comments and included these in the appendix to this letter.

Apart from the detailed questions and responses of your draft letter, we also appreciate to use the opportunity to comment on two related topics:

1. We regret the fact that the ED proposes an asymmetrical treatment of assets and liabilities. Nevertheless we belief this is the only appropriate route to get an agreement on classification and measurement of financial instruments. To get to a workable set of rules within a short time frame, we have a strong preference to accept in general the approach of this ED and avoid a renewed discussion on classification and measurement of financial assets (Phase 1).

2. We see a trend in recent EDs where recycling of realised results out of OCI is not allowed. This exposure draft is an example of this trend. We do not appreciate this

development and believe that P&L recycling of realised results from OCI to the P&L should be the basic approach.

We ask EFRAG to consider these points and support us in the communication to the IASB. We highly appreciate all efforts of EFRAG in formulation an appropriate response to the proposals of the IASB.

Yours sincerely,

Hans de Munnik
Chairman Dutch Accounting Standards Board

Appendix

Detailed response to the Questions raised in Exposure Draft Fair Value Option for Financial Liabilities

IASB Question 1

We agree with the draft response of EFRAG.

IASB Question 2

- Paragraph 15: We agree an unintended accounting mismatch could occur. The principle should be that in such circumstance the reporting entity is allowed to deviate from the standard rules to overcome the mismatch. Appropriate disclosure in case of accounting deviations should be required.

- Paragraph 16: We are not aware of other examples. We have the view that the Standard can have examples of rare circumstances, however should not provide a limited list.

IASB Question 3

We agree with the draft response of EFRAG.

IASB Question 4

We agree with the draft response of EFRAG.

IASB Question 5

We agree with the draft response of EFRAG.

IASB Question 6

We agree with the draft response of EFRAG.

IASB Question 7

We agree with the majority of EFRAG that recycling of realised gains and losses resulting from changes in a liability's credit risk to profit or loss should be required. Our main arguments are:

- It is a part of the economic reality. It is a result that, after terminating/repurchasing the liability, is a part of the realised result.

- Profit or loss recognition of this element is in line with the treatment if an instrument was cost accounted or part or a derivative instrument. Also in these cases, the realised own credit element does appear in the P&L.

IASB Question 8

We agree with the draft response of EFRAG.

IASB Question 9

We do not agree with the IASB and EFRAG. The own credit risk element in relation to the Fair Value Option is a current issue as well. As there is no interrelationship with the broader IFRS 9 phased project, it does make sense to allow early adoption without earlier IFRS 9 phases.

IASB Question 10

We agree with the draft response of EFRAG.

EFRAG Additional question 1

No. We belief we require progress in the Financial Instruments projects. Furthermore, we refer to the arguments in our letter.

EFRAG Additional question 2

No. We do not want to open the discussions on IFRS 9 Phase 1 again. We see the need to continue the IAS 39 replacement process and view it currently most important to work on finalisation of the entire project, not to re-work Phase 1 at such early stage already.

EFRAG Additional question 3

Not applicable.

EFRAG Additional question 4

No, we do not see an issue in this respect.