

Date
17 December 2008

Le Président

Fédération
des Experts
Comptables
Européens
AISBL

Avenue d'Auderghem 22-28/8
1040 Bruxelles
Tél. 32 (0) 2 285 40 85
Fax: 32 (0) 2 231 11 12
E-mail: secretariat@fee.be



Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

E-mail: commentletters@iasb.org

Dear Sir David,

Re: IASB Exposure Draft Improving Disclosures about Financial Instruments

1. FEE (Fédération des Experts comptables Européens - Federation of European Accountants) is pleased to submit its comments on the IASB Exposure Draft of Proposed Amendments to IFRS 7 – Improving Disclosures about Financial Instruments (the “ED”).
2. FEE as a founding organisation of EFRAG has also contributed to the EFRAG consultation process by submitting its views on the EFRAG Draft Comment Letter through the FEE comment letter to EFRAG dated 10 December 2008. We have also considered EFRAG's final submission to the IASB of 12 December 2008.
3. Like EFRAG, we agree with most of the proposals in the ED related to fair value measurements.
4. However, we disagree with the introduction into IFRS 7 of a three-level fair value hierarchy, similar to that used in SFAS 157. This three-level hierarchy was first raised in the context of IFRS by the Fair Value Measurements Discussion Paper. The proposed three-level approach needs to be fully evaluated taking account of the reactions of the Discussion Paper. So we would prefer the three-level hierarchy introduction being addressed first as a measurement issue before being addressed as additional disclosures. Significant decisions like a three-level hierarchy decision should be part of the main project.
5. The usefulness of additional disclosures should be carefully considered. In general, we favour less but more meaningful disclosures. A careful balance needs to be struck between additional information and overloading users with information thus risking detracting users from the key information.



Appendix – Responses to the Invitation to Comment

Fair value disclosures

Question 1

Do you agree with the proposal in paragraph 27A to require entities to disclose the fair value of financial instruments using a fair value hierarchy? If not, why?

6. Taking into account our comments set out in paragraph 4 of this letter, we agree with EFRAG and the IASB with the proposal in paragraph 27A to require entities to disclose the fair value of financial instruments using a fair value hierarchy. We believe it is useful to disclose the subjectivity in fair value measurement. This, however, does not mean that we currently favour the three-level hierarchy (see paragraphs 4 and 7 of this letter).

Question 2

Do you agree with the three level hierarchy as set out in paragraph 27A? If not, why? What would you propose instead and why?

7. We disagree with the introduction of the proposed three-level hierarchy in this amendment as explained in paragraph 4 of this letter and propose to require the proposed disclosures in two levels based on observable and non-observable measurement inputs. The proposed integration of a fair value hierarchy which is similar to the fair value hierarchy set out in SFAS 157 might prejudice the outcome of the IASB's fair value measurement project. Instead, a thorough discussion of all relevant aspects is of crucial importance before coming to the conclusion that the respective requirements from US GAAP should be implemented into IFRS.

Question 3

Do you agree with the proposals in:

- (a) **paragraph 27B to require expanded disclosure about the fair value measurements recognised in the statement of financial position? If not, why? What would you propose instead, and why?**
 - (b) **paragraph 27C to require entities to classify, by level of the fair value hierarchy, the disclosures about the fair value of the financial instruments that are not measured at fair value? If not, why? What would you propose instead, and why?**
8. Subject to our comments in paragraph 7, we agree with EFRAG that in principle the proposed disclosures in paragraph 27B about the fair value measurements of financial instruments recognised in the statement of financial position are appropriate. We also agree like EFRAG with the proposed disclosures in paragraph 27C about the fair value measurements of financial instruments that are not measured at fair value in the statement of financial position.
 9. We believe however that to encourage early adoption of the amendments to IFRS 7, entities that choose to early adopt should not be obliged to disclose comparatives.



Liquidity risk disclosures

Question 4

Do you agree with the proposal in paragraph 39(a) to require entities to disclose a maturity analysis based on how the entity manages the liquidity risk associated with such instruments? If not, why? What would you propose instead, and why?

Question 5

Do you agree with the proposal in paragraph 39(b) to require entities to disclose a maturity analysis for non-derivative financial liabilities based on remaining expected maturities if the entity manages the liquidity risk associated with such instruments on the basis of expected maturities? If not, why? What would you propose instead, and why?

10. Like EFRAG, we agree with the IASB proposal to disclose a maturity analysis based on how the entity manages the liquidity risk associated with such instruments.
11. We agree with EFRAG that a maturity analysis of financial liabilities only does not give a complete view of the liquidity position of an entity since it does not include financial assets. We agree that the content of paragraph B11E should be moved from the application guidance to the main body of the proposed standard to give equal emphasis to the treatment of assets and liabilities.
12. We support EFRAG in its call on the IASB for a more extensive piece of work on liquidity risk as a separate agenda item in the medium term.

Question 6

Do you agree with the amended definition of liquidity risk in Appendix A? If not, how would you define liquidity risk, and why?

13. We agree with EFRAG and the amended definition of liquidity risk to make it clear that financial liabilities that will be settled by the entity's own equity instruments or by the transfer of non-financial assets do not fall within the scope of the liquidity risk disclosures of paragraph 39.

Effective date and transition

Question 7

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

Question 8

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

14. Like EFRAG, we agree with a suggested effective date of 1 July 2009 with earlier application of the amendments being permitted. In case of early adoption, we believe that the entity should not be obliged to disclose comparative figures in the first year of application (see also our comments in paragraph 9 of this letter).



Drafting Comments

15. We agree with the drafting comments set out in paragraphs 20 and 21 of the EFRAG letter. In addition to the comments raised concerning “amount” and “for those assets and liabilities that are still held at the end of the reporting period”, we suggest it would be helpful if the IASB provided a clarification of what is meant by “unrealised gains” and “unrealised losses” in the context of the amended Standard. These terms have different meanings in different jurisdictions, in particular for financial instruments measured at fair value in the statement of financial position.

16. Furthermore, we believe it would be helpful if entities were to support their quantitative disclosures with qualitative information, including how they have interpreted “active market” and how they determine “significance of the inputs” (paragraph 27A). Improved qualitative disclosures in this respect would be helpful for the user of financial instruments.

We would be pleased to discuss any aspect of this letter that you may wish to raise with us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jacques Potdevin', is written over a horizontal line.

Jacques Potdevin
President

Ref: BAN/JP/SS-SL