Federation of European Accountants
Fédération des Experts comptables Européens

30 January 2009

Sir David Tweedie
Chairman
IASB
30 Cannon Street
London EC4M 6XH
United Kingdom

E-mail: commentletters@iasb.org

Ref.: BAN/HvD/SS/LF/SH

Dear Sir David,

Re: FEE Comments on IASB Exposure Draft of proposed amendments to IFRIC 9 and IAS 39 *Embedded Derivatives*

(1) FEE (the Federation of European Accountants) is pleased to provide you below with its comments on the IASB Exposure Draft of proposed amendments to IFRIC 9 and IAS 39 *Embedded Derivatives* (the "ED").

(2) As a founding organisation of EFRAG, we have also contributed to the EFRAG consultation process by submitting the FEE comments on EFRAG's Draft Comment Letter issued by EFRAG on 6 January 2009. EFRAG has issued its final comment letter on 29 January 2009. We have considered the EFRAG Final Comment Letter in our response and made reference to the EFRAG comments where relevant.

(3) In general, we support EFRAG's comments and agree with the proposals in the ED.

Our responses to the questions in the Invitation to comment of the ED are included as an Appendix to this letter.

For further information on this letter, please contact Ms Saskia Slomp from the FEE Secretariat.

Yours sincerely,

Hans van Damme
President

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Appendix

Responses to the questions in the Invitation to comment of the IASB Exposure Draft of proposed amendments to IFRIC 9 and IAS 39 *Embedded Derivatives*

Question 1 and Question 2

The exposure draft clarifies that an entity must assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid (combined) financial asset out of the fair value through profit or loss category.

Do you agree with that clarification? If not, why? What would you propose instead, and why?

The exposure draft requires the assessment to be made on the basis of the circumstances that existed when the entity first became a party to the contract.

Do you agree with that proposal? If not, why? What would you propose instead, and why?

(4) We support EFRAG and agree with the conclusions reached in the ED that an entity must assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid (combined) financial asset out of the fair value through profit or loss category and that such assessment should be made on the basis of the circumstances that existed when the entity first became a party to the contract.

<u>Scope of IFRIC 9</u>

(5) We have no specific comments to make on the detailed comments in paragraphs 5 to 8 of EFRAG's Final Comment Letter and support these comments.

<u>Detailed comments on the proposed amendments to paragraph 7 and new paragraph 7A of IFRIC 9</u>

(6) We support the detailed comments in paragraphs 9 to 14 of EFRAG's Final Comment Letter. Like EFRAG, we agree that the proposed new paragraph is helpful, but think its wording can be improved to take into account the possibility that at some point in time after initial recognition (and before reclassification out of fair value through profit or loss) there has been a significant change in the terms of the contract of the instrument that significantly affected its cash flows.

(7) We welcome and support the suggestion made by EFRAG amending the text of the proposed new paragraph 7A of IFRIC (as detailed in paragraph 11 of EFRAG's Final Comment Letter).

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Responses to the questions in the Invitation to comment of the IASB Exposure Draft of proposed amendments to IFRIC 9 and IAS 39 *Embedded Derivatives*

Question 3

The exposure draft proposes that if the fair value of an embedded derivative that would have to be separated cannot be reliably measured, the entire hybrid (combined) financial instrument must remain in the fair value through profit or loss category. Do you agree with that proposal? If not, why? What would you propose instead, and why?

(8) We support EFRAG and agree with the proposal that if the fair value of an embedded derivative that would have to be separated cannot be reliably measured, the entire hybrid (combined) financial instrument must remain in the fair value through profit or loss category.

Question 4 and Question 5

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?

(9) Like EFRAG, we agree that new or amended requirements in IFRS be applied retrospectively to enhance comparability of the financial information reported. We consider that it could be possible for entities to apply the proposals retrospectively as indicated in the ED for annual periods ending on or after 15 December 2008.

(10) We also recognise that this means backdating the effective date. Like EFRAG we support in this case backdating the effective date, on the grounds that the proposals serve as a clarification of the IASB 2008 amendment to IAS 39 and this would not give rise to any issues in the application of the proposals in practice.

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