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21 July 2004

**Comments to Exposure Draft of Proposed Amendments to IAS 39 Financial Instruments:
Recognition and Measurement, the Fair Value Option**

Dear Ms Thompson,

Swiss Re, as one of the world's leading reinsurers, supports the IASB on improving International Financial Reporting Standards (IFRSs). Swiss Re Group's financial statements are currently published in accordance with Swiss GAAP (FER).

Furthermore, some of our subsidiaries, as well as a number of our clients, use IFRSs as their reporting base. Swiss Re, operating through more than 70 offices in over 30 countries, is exposed to accounting regulations issued by many different national standard setters and regulatory authorities.

We have a number of concerns regarding the approach to introducing the limitation.

Verifiability of fair value

The proposed requirement that fair value must be verifiable would apply only to the fair value option and not to other financial assets or financial liabilities. "Verifiable" appears to be a stricter test than "reliably measured".

The test for the fair value option is not consistent with the approach to the fair value of financial assets or financial liabilities (including derivatives) classified as held for trading or available-for-sale.

We are also concerned that the verifiability test may be extended by implication to other assets and liabilities.

Based on the Board's previously taken positions, we were not aware that the Board had general concerns about estimating the fair value of traded financial assets (other than loans).

We therefore recommend to delete the verifiability test.

Restrictions on the use of the fair value option

According to the Exposure Draft, a substantial majority of the respondents to the June 2002 Exposure Draft agreed with the Board's proposal to permit entities to apply the fair value option. This included a majority of each type of respondent except for banking, securities and insurance regulators.

We support the view expressed by the Board in IFRS 4 that general purpose financial statements "are not directed at specific needs of insurance supervisors that other users do not share" (paragraph BC169 of IFRS 4).

We also believe that the issue could be addressed by defining the assets and liabilities to which the fair value option may not be applied instead of, as suggested in the Exposure Draft, providing a list of assets and liabilities to which the fair value option may be applied.

Prudential oversight of the application of accounting standards for general purpose financial statements

We are concerned about the Board's proposed inclusion in IAS 39 of a statement that for entities subject to prudential supervision such as banks and insurance companies, the powers of the relevant prudential supervisor may include overseeing the application of the requirements for determining the fair value of financial asset or financial liability recognised in the financial statements.

According to paragraph BC11(b), *"the aim of making this statement is to alert entities subject to prudential supervision to the possibility that their supervisor may be concerned to ensure that they do not use inappropriate estimates of fair value. The statement merely notes powers that supervisors may already have and does not confer any additional powers to them. In particular, it does not give supervisors the power to amend or overrule the requirements of IAS 39."*

We believe that supervisory powers today relate to the financial information filed by a company with the supervisor. We do not believe that these powers extend to the external financial statements published by a listed company. For example, Swiss Re's consolidated financial statements are prepared according to the Group's accounting policies for the purpose of the Group's listing on the Swiss Stock Exchange. Swiss Re's regulatory returns are subject to the oversight of national regulators, based on legal entity returns according to local rules. The local aspect is difficult to combine with Group wide accounting policies and risks causing multiple interpretations of the same issue.

We appreciate the Board's efforts in preparing the exposure draft on the fair value option and would like to thank you for giving us the opportunity to comment on the proposals. We would be pleased to discuss with you at your convenience any questions or issues that you may have concerning our letter.

Yours sincerely,

M. Swallow.

Mark Swallow
Chief Accounting Officer
Swiss Reinsurance Company