

Via Email: dtweedie@iasb.org

30 October 2008

Sir David Tweedie, Chairman
International Accounting Standards Board
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Dear Sir David,

Re: IASB Amendments on Financial Instruments

We are writing on behalf of the International Corporate Governance Network (ICGN). The ICGN is a global membership organisation of institutional and private investors, corporations and advisors from 40 countries. Our investor members are responsible for global assets of U.S. \$15 trillion. The mission of the ICGN is to meaningfully contribute to the continuous improvement of corporate governance best practices through the exchange of ideas and information across borders. Information about the ICGN, its members, and its activities is available on our website: www.icgn.org.

The purpose of the Accounting and Auditing Practices Committee is to address and comment on accounting and auditing practices from an international investor and shareowner perspective. The Committee through collective comment and engagement strives to ensure the quality and integrity of financial reporting around the world.

http://www.icgn.org/organisation/committee_membership.php?name=AAP

The Accounting and Auditing Practices Committee of the International Corporate Governance Network (ICGN) has noted the decision by the International Accounting Standards Board on 13 October to issue amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments* that will allow reclassification of items previously accounted for at fair value.

Institutional investors are well aware that the “Credit Crunch” and financial turmoil experienced recently in the financial markets have thrown up challenges that require speedy consideration and may require urgent action to be taken, outside the normal processes of the Board. We understand that the Trustees duly assented to action on this occasion in reflection of that urgency. We also note the Board’s view that these particular amendments address the desire to reduce differences between IFRSs and US GAAP in a manner that produces high quality financial information for investors across the global capital markets.

However, it is evident that, in reaching its decision, the Board has faced intense political pressures as well as lobbying from some vested interests. There is a clear risk that such pressures will not be conducive to the development of well-considered standards that promote confidence in financial reporting on the part of investors and the capital markets.

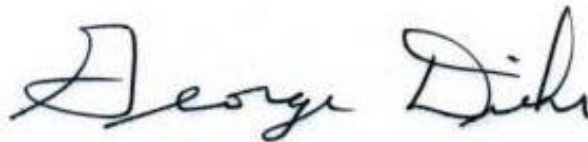
It is vital not only that the Board should take a resolute line in dealing with such pressures but also that the governance arrangements within which the Board operates should promote the independence of the standards-setting process while being responsive to genuine concerns of investors who, as capital providers, are the primary users of accounts. As the actual economic stakeholders they have a vital interest in the accurate reporting of the financial position and performance of the companies in which they invest and in whose health they are interested. We wish particularly to emphasize to the Board that, in considering any changes to the specification of accounting standards, the information needs of these users should be treated as of paramount importance. We also suggest that the Board should seek over, say, the next two years, to evaluate in broad terms how to recover the long-term focus of market participants in their standards, and in particular whether amendments to IAS 39 accord with that objective.

If you would like to discuss any of these points, please do not hesitate to contact Anne Simpson, our Executive Director, at +44 207 612 7098 or execdirector@icgn.org. Thank you for your attention and we look forward to your response on the points above.

Yours sincerely,



Christianna Wood
Co-Chair, ICGN Accounting and
Auditing Practices Committee



George Diehr
Co-Chair, ICGN Accounting and
Auditing Practices Committee

Cc: IASB Board Members
Tom Sedeinstein, Director of Operations, IASC Foundation
ICGN Board Members
ICGN Accounting & Auditing Practices Committee