

FinTreas

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International Accounting Standards Board
30 Cannon Street
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Date

9 December 2008

Reference

RJT/08008

Subject

Comments on Exposure Draft of Proposed
Amendments to IFRS 7 "Improving
Disclosures about Financial Instruments"

Your reference

Dear members of the International Accounting Standards Board,

We appreciate the opportunity to respond to your Exposure Draft of Proposed Amendments to IFRS 7 "Improving Disclosures about Financial Instruments".

We also would like to express our appreciation for your swift reaction to the urgent need of enhanced disclosures about financial instruments.

Please find enclosed our answers and comments to some of the questions you have raised in the Exposure Draft.

Yours sincerely,

Ramón J. Tolk
Managing Director

Appendix

Q1 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?

Answer FinTreas

Yes, we agree with the proposal. For companies with a significant exposure arising from financial instruments, information about the fair value is extremely important, not only for their risk management, but also for the users of their financial statement, in general. As we have seen with last year's market circumstances, the accuracy of fair value measurements is highly depending on the level in the fair value hierarchy. Disclosures of the fair value of financial instruments using a fair value hierarchy will increase the view of users of financial statements on the potential risk in determination of fair values. The majority of this risk is in Level 3 of the fair value hierarchy, due to the significant input that is not based on observable market data.

Q3 Do you agree with the proposals in:

- (a) paragraph 27B to require expanded disclosures 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?*

Answer FinTreas

Yes, we agree. In our opinion, the list of disclosure requirements mentioned in paragraphs 27B and 27C is quite extensive. The only remaining addition we would like the Board to consider is to require a sensitivity analysis related to paragraph 27B (d). This sensitivity analysis can be similar to, or part of, the disclosures required by IFRS 7, paragraph 40 (a).

Q4 Do you agree with the proposal in paragraph 39(a) to require entities to disclose a maturity analysis for derivative financial liabilities based on how the entity manages the liquidity risk associated with such instruments? If not, why? What would you propose instead, and why?

Answer FinTreas

Yes, we agree. The current text of paragraph 39(a) only focused on the financial liabilities. Derivative financial instruments often have both an outflow and inflow and entities usually manage the liquidity risk of such instruments by taking into account both flows. We have had experiences and discussions with auditors which said that only the outflows were required in the liquidity risk disclosures, so the proposed change is a clarification in that respect.

Q5 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?

Answer FinTreas

Yes, we agree but would like to propose a change to paragraph 39(b): we would prefer that this paragraph is about non-derivative financial instruments in general. There are several reasons to include non-derivative financial assets as well in the liquidity risk disclosures:

- (a) The most important reason is that, within corporate treasuries, liquidity risk is usually managed by reviewing the combined cash and cash equivalents, other financial assets and debt position (Net Debt position). Freeing up cash that's captured in (long term) financial assets is also a way to be able to fulfil obligations associated with financial liabilities;
- (b) Related to the previous comment, it would be useful if entities would provide liquidity risk disclosures stating which part of their cash and financial assets is not at free disposal by the corporate treasury department to fulfil obligations associated with financial liabilities. E.g. cash and/or deposits may seem to be readily available or convertible to cash, but in fact, they are not, if this cash is generated in countries with strict local regulations that limit the free transferability of cash.

In our view, it would be helpful if the Board addresses this issue related to liquidity risk disclosures.

Q7 Do you agree with the proposed effective date? If not, why? What would you propose instead, and why?

Answer FinTreas

Yes, we agree and support the view of the Board that the need for enhanced disclosures is urgent.