

11 December 2008

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

## **Comment Letter on Exposure Draft – Improving Disclosures about Financial Instruments**

Dear Sir / Madam

SwissHoldings, the Swiss Federation of Industrial and Services Groups in Switzerland, represents 46 Swiss groups, including most of the country's major industrial and commercial firms. We very much welcome the opportunity to comment on the above-mentioned Exposure Draft (ED). Our response below has been prepared in conjunction with our member companies.

In general, we agree with the proposed amendments in respect of fair value measurement and liquidity risk disclosures.

### **Questions for respondents – 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?*

We agree with the proposal to introduce a fair value hierarchy for financial instruments to provide more information on the comfort of valuation techniques used for these diverse instruments. As a consequence of the proposed disclosure requirement, the balance sheet position will be split into three classes of assets which will allow users to judge on the reliability of the fair value determination or in other words, the valuation technique applied. However, the disclosure will not increase the comfort on these techniques or methods used to derive the fair values. Users will still have to make their own judgment on valuation methods or models applied. We believe that this kind of uncertainty should also be stated in the disclosure.

##### Question 2

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

We agree with the proposed three-level hierarchy. However, we would like to recommend that examples regarding the allocation of financial instruments to the hierarchies or indications for financial products regarding their expected hierarchy category should be provided. This information could be listed in the guidance on implementing section.

## Question 3

*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?*

We endorse the proposed extension of disclosures on categorization and movements within the Level 3 category. However, we understand that the required reconciliation would also be possible by type of instruments rather than by assets classes as illustrated in paragraph IG13B as long as it is in accord with the Level 3 category assets like disclosed and applied by US GAAP registrants.

*(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?*

We do not agree with the amendment to disclose the fair value of financial instruments by level of the fair value hierarchy as well as by classes of financial instruments that are not measured at fair value in the financial statement position. We believe that such disclosure requirements are far too excessive all the more as the fair value disclosure of financial instruments not valued at fair value would be exempted through paragraph 29. Moreover the different valuation principles are determined in the accounting policy section of the notes to the financial statements, consequently users are aware of different valuation methods for the several financial instrument categories. Such disclosures will confuse intensively receivers of financial statements in view of any ineffectiveness to the balance sheet and income statement positions. We are of the opinion that paragraph 27C should be deleted without replacement.

## **Liquidity risk disclosures**

## Question 4

*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?*

We believe that it is more adequate to require entities to disclose the maturity analysis of derivative financial liabilities based on how the embedded liquidity risk is managed. In particular, we welcome that for derivatives managed on a fair value basis their resulting negative fair values should be factored into the analysis contrary to contractual undiscounted cash flows.

## 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?*

We agree with the proposal to disclose the maturities for non-derivative financial liabilities based on remaining expected maturities, albeit one has to be conscious that contractual and remaining expected maturity might not differ.

## 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?*

We would recommend not to limit the definition of liquidity risk only to risks inherent with the discharge of financial liabilities. Rather we would enlarge this risk definition additionally on the inability to fund assets at reasonable price.

**Effective date and transition**

## Question 7 and 8

*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?*

We agree with both the proposed effective date and the transition requirements.


We thank you for the opportunity to submit our contribution to your due process.

If you would like further clarification of the points raised in this letter, we would be happy to discuss these further with you.

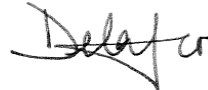
Yours sincerely,

**SwissHoldings**

Federation of Industrial and Service Groups in Switzerland



Dr. Peter Baumgartner  
Chairman Executive Committee



Denise Laufer  
Economist

**cc** SH Board