



October 21, 2011

IASB
International Accounting Standards Board
1st Floor, 30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Via e-mail to the IFRS Foundation Web site (www.ifrs.org)

Subject: Comments on the Exposure Draft, "Mandatory Effective Date of IFRS 9"

Dear Sir/Madam:

We appreciate the opportunity to comment on the exposure draft, "Mandatory Effective Date of IFRS 9."

We agree with your proposal to defer application of IFRS 9 to January 1, 2015, thereby allowing companies to adopt the final version of a standard that includes all the various projected phases, while also providing more time for standard setters to finalize this ambitious project to replace IAS 39. We would like, however, that sufficient time be scheduled between the issue date of IFRS 9 in its entirety and its application date.

Yours truly,

A handwritten signature in black ink, appearing to read 'Lise Croteau', written over a horizontal line.

Lise Croteau, FCA
VP – Accounting and Control
Hydro-Québec

Hydro-Québec is a Crown corporation whose mission under its governing statute is to supply power and to pursue endeavors in energy-related research and promotion, energy conversion and conservation, and any field connected with or related to power or energy. In Québec, electricity transmission and distribution activities are regulated by the *Régie de l'énergie* (energy board). Hydro-Québec's operations are supported by property, plant and equipment recorded at cost (\$56 billion).

The capital structure of Hydro-Québec is on the order of 55% based on bonded debt (\$37 billion), of which 4% is payable in foreign currencies and nearly 11% is in the form of floating-rate bonds. This represents a significant exposure to foreign exchange and interest rate risks, which explains why the company has adopted a sophisticated management strategy for these risks.

Hydro-Québec hedges future revenue streams denominated in US dollars using debt totaling nearly \$1 billion, so as to manage a significant portion of its foreign exchange risk exposure. Hydro-Québec also enters into swap contracts that serve as a hedge for both the principal and interest repayments on debt. Some swaps also modify the long-term exposure to interest rate risk.

Several other types of derivative instruments are also used to manage short-term and long-term foreign exchange and interest rate risk exposures. In addition, specific risks are managed through derivative instruments, i.e., raw material price risks and market risks resulting from fluctuations in energy prices.

**COMMENTS ON THE EXPOSURE DRAFT *MANDATORY EFFECTIVE DATE*
OF IFRS 9 “FINANCIAL INSTRUMENTS”**

QUESTION 1:

The Board proposes to amend IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015. Do you agree? Why or why not? If not, what alternative do you propose?

We support the Board's proposal to require companies to implement all the phases of the IFRS 9 replacement project only for the financial years beginning on or after January 1, 2015.

We currently deplore the fact that there are two coexisting IFRS 9 versions; namely, IFRS 9 (2009), which addresses only financial assets, and IFRS 9 (2010), which amended the 2009 version to address financial liabilities as well as financial assets. In our opinion, the possible implementation of the 2009 or 2010 versions adds to the confusion for readers of financial statements. It seems much more appropriate to wait until the three phases of the project to replace IAS 39 have been completed before issuing the final IFRS 9 version.

Lastly, given the complexity of the subject matter and the impact on IT systems, control and analyses processes, and personnel training, it is absolutely necessary to allot sufficient time between the issue date of IFRS 9 in its final form and its application date. For this reason, January 1, 2015 seems acceptable to us, provided that the three phases are quickly completed and the final standard is issued before January 1, 2013.