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Michael Kraehnke
Project Manager
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH, UK

23 November 2009

Exposure Draft of Improvements to International Financial Reporting Standards

Dear Mr. Kraehnke:

We appreciate the opportunity to comment on the exposure draft of *Improvements to International Financial Reporting Standards*. We support the Board's objective to amend the IFRS guidance to update the existing standards and to eliminate inconsistencies, and improve the wording of the standards.

We agree with the majority of the proposed changes to IAS 1, *Financial Statement Presentation*. However, we do not agree with the proposed changes to paragraph 106, which would permit the presentation of the statement of changes in equity or its components in the notes to the financial statements. We believe that the proposed language has a far broader impact than the Board intended, which was to permit the reconciliations of only the other comprehensive income items to be presented in the notes at the option of the preparer.

We are also proposing that the Board clarifies its proposal to disclose the financial impact of the effect of collateral held as a security and other credit enhancements in IFRS 7.36(b). Our responses to the specific questions put forth in the exposure draft are attached as an Appendix.

We hope that you find these comments useful. If you would like to discuss any comments that we have made, please do not hesitate to contact Ralph Odermatt at +41 44 236 8410 or John Gallagher at +1 203-719-4212.

Kind regards

UBS AG

Ralph Odermatt	John Gallagher
Managing Director	Managing Director
Group Accounting Policy	Group Accounting Policy

Appendix

Question 1: Do you agree with the proposal to amend the IFRS as described in the exposure draft? If not what alternative do you propose?

IAS 1, *Presentation of Financial Statements*

We do not believe that the proposed language included in paragraph 106 of IAS 1, *Presentation of Financial Statements*, which would permit preparers to present their statements of changes in equity (or its components) in the notes to the financial statements, accomplishes the limited intent stated by the Board. In the Basis for Conclusion (BC1), the Board noted that the presentation option should be available for items of accumulated other comprehensive income. Contrary to this, the proposed wording in paragraph 106 may lead to the conclusion that the presentation option is also available for the entire statement. We recommend that the text in paragraph 106 is amended so that its interpretation only refers to the presentation option for items of other comprehensive income. Furthermore, we do not believe that allowing a presentation option for the entire statement of changes in equity in the notes to the financial statements should be part of the annual improvements project. Such a major change in presentation should be included in the scope of the Financial Statement Presentation project. We suggest the following adjustment to the proposed language:

106 An entity shall present a statement of changes in equity showing in the statement ~~or in the notes~~:

- (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;
- (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8; and
- (c) [deleted]
- (d) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
  - (i) profit or loss;
  - (ii) each item of other comprehensive income (must be presented in **either** the statement or the notes); and
  - (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

IFRS 7, *Financial Instruments: Disclosures*

We agree with the proposed changes to IFRS 7. However, the Board is proposing to include the requirement that an entity should "*provide description and financial effect of collateral held as a security and other credit enhancements*" in paragraph 36 (b) of IFRS 7. We believe that it would be beneficial if the Board clarifies the meaning of "financial effect" and provides application guidance with examples for the proposed quantitative disclosures.

We agree with the remaining proposals as presented in the exposure draft.

Question 2: Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

We agree with this proposed transition and effective dates as described in the exposure draft.

Specific questions

Question 3 (IAS 34): The Board proposes changes to IAS 34 *Interim Financial Reporting* to emphasize its disclosure principles. It also adds to the guidance to illustrate better how to apply those principles. The Board published an exposure draft *Fair Value Measurement* in May 2009. In that exposure draft, the Board proposes that all of the fair value measurement disclosures required in IFRS 7 *Financial Instruments: Disclosures* for annual statements should also be requires for interim financial statements. Do you agree that this proposed amendment is likely to lead to more useful information being made available to investors and other users of interim financial reports? If not, why?

We agree with the IASB's proposal to emphasize the disclosure principles in IAS 34 and to add further guidance on how to apply these principles.

Question 4 (IAS 34): The Board proposes changes to IAS 34 *Interim Financial Reporting*. Do you agree that amending IAS 34 to require particular disclosures to be made in interim financial statements is a more effective way of ensuring that users of interim financial statements are provided with useful information? If not, why? What approach would you propose instead of and why?

As noted in our answer to Question 3 above, we support the IASB's proposal to emphasize the disclosure principles in IAS 34. We welcome further guidance on how to apply those principles. We believe that amending IAS 34 to require particular disclosures is an effective way of ensuring that interim financial statements provide the users with useful information. However, before adding any new requirements to IAS 34, the Board should consider whether the disclosure principle and application guidance already included in IAS 34 would suffice.

Question 5 (IAS 40): The Board proposes to amend IAS 40 *Investment Property* to remove the requirement to transfer investment property carried at fair value to inventory when it will be developed for sale, to add a requirement for investment property held for sale to be displayed as a separate category in the statement of financial position and to require disclosures consistent with IFRS 5 Non-current Assets Held for Sale and Discontinued operations. Do you agree that the proposed amendment should be included within Improvements to IFRSs or should a separate project be undertaken to address this issue? If you believe that a separate project should be undertaken, please explain why?

We do not believe that a separate project is necessary.