

Sir David Tweedie
Chairman International
Accounting Standards Board
30 Cannon Street
London EC4M 6XH

United Kingdom

July 16th, 2004

**Exposure Draft of Proposed Amendments to IAS 39 Financial Instruments:
Recognition and Measurement – The Fair Value Option**

Dear Sir David,

The German Board of ACI Deutschland e.V. is pleased to submit a comment letter on the IASB's exposure draft on the fair value option (ED).

The comments have been prepared by our Asset and Liability Management Working Group, which represents the Asset and Liability managers of Germany's leading banks. The contact person of this group is Mr. Rolf Reichardt (rolf.reichardt@helaba.de, phone +49 69 9132 3142).

The main comments are:

- The fair value option should be available for all financial instruments in order to enable banks to disclose their economic results. If the fair value option were limited only to hedged instruments banks may not show the results of all their risk positions.
- There is no reason why banks would expose themselves to higher artificial volatility of profit or loss. Therefore, no additional rules are needed to avoid misleading partial applications of the fair value option by banks.
- There are strong concerns against the measurement of own credit risk in the IAS 39 mixed model approach, which will create artificial volatility in accounting results.
- Our working group shares the concerns of the three IASB board members in AV 2, AV 4 and AV 7.

In summary, we recommend to maintain the fair value option without further restrictions.

In addition, we suggest to address the concerns against full fair value measurement with a pragmatic approach. In line with best risk management practice the valuation of financial instruments can be based on market price factors excluding credit risk. For further details you may also refer to our comment letter of November 6th, 2003 (Portfolio Hedge of Interest Rate Risk). We are not aware of technical measurement problems and do not share the concerns of BC 85 and BC 86 in IAS 39 Financial Instruments: Recognition and Measurement (revised 2003).

Our working group would highly appreciate the opportunity to discuss the proposal, which would solve the problems of the burdensome hedge accounting (including the current portfolio hedge of interest rate risk) for most financial instruments. If we can be of any further assistance in the matters discussed, please do not hesitate to contact our working group accordingly.

Sincerely yours,



Jörg Isselmann
President
ACI Germany e.V.