ASB BANK LIMITED

14 January 2009

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM

Dear Sir David,

Exposure Draft – *Investments in Debt Instruments*

Thank you for the opportunity to comment on the IASB Exposure Draft *Investments in Financial Instruments*. The following comments are on behalf of ASB Bank Limited ("ASB").

We acknowledge the IASB's intention to improve financial reporting and to provide more useful information in response to the global credit crisis. However we have strong concerns about the piecemeal approach to amendments to IFRS 7 and the short time frame for comments and subsequent adoption. This does not allow sufficient time to assess the impact of all of the various amendments when applied together, and can cause unintended consequences, as has been seen recently with the exposure draft on Embedded Derivatives.

The proposed effective date is also particularly concerning to New Zealand entities. As you may be aware, the proposed amendments cannot become mandatory in New Zealand until approval by the Accounting Standards Review Board in 2009. This means that in order for entities such as ourselves to claim full compliance with IFRS as well as New Zealand equivalents to NZIFRS in our 31 December 2008 financial statements, we will potentially need to comply voluntarily with the proposed amendments before they have come into effect in New Zealand.

We are also aware that there is some uncertainty about the definition of "investments in debt instruments" in the Exposure Draft. As a bank, ASB's assets largely consist of debt instruments – advances to our customers as well as holdings of instruments issued by other parties, for example corporate bonds. Local staff of an international audit firm have interpreted "investments in debt instruments" to include all advances originated by the reporting entity as well purchased instruments. We disagree with this interpretation and seek clarification as to what is intended. Our view is that it is impracticable to provide the proposed profit and loss impact information on customer advances, and that such disclosures do not provide useful information.

Our responses to the specific questions in the Discussion Paper are set out as follows.

Question 1

The exposure draft proposes in paragraph 30A(a) to require entities to disclose the pre-tax profit or loss as though all investments in debt instruments (other than those classified as at fair value through profit or loss) had been (i) classified as at fair value through profit or loss and (ii) accounted for at amortised cost.
Do you agree with that proposal? If not, why? What would you propose instead, and why?

No. This proposal is not practical and does not provide significant relevant information commensurate with the level of effort required to produce the disclosure. Entities are already required by IFRS 7.25 to disclose the fair value of each class of financial instruments in a way that permits it to be compared with its carrying amount. However, to calculate the impact on pre-tax profit or loss during a financial period of classifying certain financial instruments differently would in effect require an entity to maintain two sets of accounts under different accounting policies. This is because a different classification of a financial asset may also impact the accounting treatment of related transactions, for example the classification of the liabilities funding the asset and the need for and type of hedge accounting. Calculating the impact of the classification of the asset in isolation from the rest of the balance sheet does not provide a meaningful comparison.

Question 2

The exposure draft proposes to require disclosing the pre-tax profit or loss amount that would have resulted under two alternative classification assumptions.
Should reconciliations be required between profit or loss and the profit or loss that would have resulted under the two scenarios? If so, why and what level of detail should be required for such reconciliations?

No. Refer to comments under Question 1.

Question 3

The exposure draft proposes in paragraph 30A(b) to require entities to disclose for all investments in debt instruments (other than those classified as at fair value through profit or loss) a summary of the different measurement bases of these instruments that sets out (i) the measurement as in the statement of financial position, (ii) fair value and (iii) amortised cost.
Do you agree with that proposal? If not, why? What would you propose instead, and why?

No. With the exception of the amortised cost information for available-for-sale assets, this disclosure does not provide any additional information for users than that already disclosed in compliance with IFRS 7.25.

Question 4

The exposure draft proposes a scope that excludes investments in debt instruments classified as at fair value through profit or loss.
Do you agree with that proposal? If not, would you propose including investments in debt instruments designated as at fair value through profit or loss or those classified as held for trading or both, and if so, why?

Yes. For instruments classified as at fair value through amortised cost it may not be possible to determine the amortised cost in any meaningful way. We also consider that IFRS 7 already requires significant disclosures about these assets.

Question 5
Do you agree with the proposed effective date? If not, why? What would you propose instead, and why?

No. As discussed, ASB disagrees with effective dates being applied retrospectively and we are also concerned about the piecemeal approach to amendments. We believe that the effective date of any amendment should be the same as other recent amendments to IFRS 7 i.e. 2009/2010.

Question 6
Are the transition requirements appropriate? If not, why? What would you propose instead, and why?

We agree that it is not appropriate to require comparative information relating to periods before initial adoption, as this information may not be readily available or practical to obtain.

Other Comments
If this proposed amendment proceeds we recommend clarification of the definition of "investments in debt instruments" and whether the proposed disclosures are by class or category.

If you have any questions on this submission please contact me.

Yours faithfully

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