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

15 January 2009

EAPB comments on Exposure Draft: Investments in Debt Instruments – Proposed Amendments To IFRS 7

Dear Sir David,

The European Association of Public Banks would like to thank you for giving us the opportunity to comment on the "Exposure Draft: Investment in Debt Instruments – Proposed Amendments to IFRS 7" published by the International Accounting Standards Board on 23 December 2008. We would like to express our deep concerns with the draft content and the procedure.

EAPB disagrees with the content of the proposal

The EAPB does not agree with the content of this proposal. Although we believe that the impairment rules should be adjusted as supported by the European Commission in its letter from 27 October 2008, we do not believe that additional disclosure requirements concerning investments in debt instruments other than those classified as at fair value or through profit or loss will be useful for users of financial statements.

We consider that up to now debt instruments have not been defined as a separate class of financial instruments nor as a separate category. Accordingly, because the balance sheet reader cannot relate the additional information balance sheet figures listed in the financial statement, the proposed disclosure requirements do not improve users' understanding of the information disclosed about financial instruments. On the contrary, they rather contribute to misinformation of the balance sheet user.

Moreover, the present draft of the standard could cause factual valuation inconsistencies (so-called accounting mismatches), which would affect the description of the financial instruments in particular. Thus the planned disclosure obligations would lead to a nearly complete fair-value valuation of the assets side, without taking into account the corresponding refinancing items at this stage, so that there is a risk of incorrect interpretation. More disclosures using a full fair value model will not contribute to a better

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comparison of investments in debt instrument. In general, we do not support a full fair value measurement model.

For the above reasons, we clearly reject the requested additional amendments/supplements to IFRS 7 in the present exposure draft of IFRS 7.

Comments on timing and procedure

Furthermore, the EAPB feels that due process has not been taken into account: We consider the application of the proposed changes to fiscal years that end on or after 15 December 2008 to be completely unacceptable due to implications it would have in terms of internal processes and IT requirements arising there from. We find it unrealistic to expect that changes in reporting practices can or will be executed in retrospect. In our view changes in reporting practices must be properly consulted and institutions should be given time to prepare for a change-over.

We also believe that the adoption of unbalanced and thus qualitatively dubious standards, with very short deadlines for commentaries and retroactive application as well, undermines the goal of developing high-quality, lasting standards on a sustained basis.

Against this background, we explicitly recommend dispensing with the proposed amendment to IFRS 7 at this stage and rethinking the proposals after a critical review within the long-term project of the IASB and FASB that deals with accounting for financial instruments and to discuss them within normal due process.

Please do not hesitate to contact us should you have any questions.

Kind regards,

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EAPB

Julien Ernoult
EAPB

The European Association of Public Banks (EAPB) represents the interests of 30 public banks, funding agencies and associations of public banks throughout Europe, which together represent some 100 public financial institutions. The latter have a combined balance sheet total of about EUR 3,500 billion and represent about 190,000 employees, i.e. covering a European market share of approximately 15%.

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