THE
INSTITUTE OF
CHARTERED
ACCOUNTANTS
OF SCOTLAND

AH/ASC-SUB/mb

International Accounting Standards Board
30 Cannon Street
LONDON
EC4M 6XH

16 January 2009

Dear Sir or Madam

IASB EXPOSURE DRAFT: INVESTMENTS IN DEBT INSTRUMENTS – PROPOSED AMENDMENTS TO IFRS 7

The Institute's Accounting Standards Committee has considered the above Exposure Draft and I am pleased to set out its comments below.

The Institute is the first incorporated professional accountancy body in the world. The Institute's Charter requires the Accounting Standards Committee to act primarily in the public interest, and our responses to consultations are therefore intended to place the general public interest first. Our Charter also requires us to represent our members' views and protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

General comments

We understand that the IASB has issued this exposure draft in response to concerns raised at the public round-table meetings held by the IASB and FASB in response to the global financial crisis about the accounting for impairments of debt instruments classified as available-for-sale. We therefore understand why it is believed necessary to make these changes in such a short timescale. We have serious concerns about the absence of due process when IASB issued the amendments to IAS 39 and IFRS 7 permitted reclassifications of financial instruments in October 2008, and believe that the IASCF and IASB need to put in place procedures to ensure that this situation does not re-occur.

While these current proposals have been issued for public comment, the timescale of 23 days is inadequate, particularly over a period that is a holiday time for many. We believe that such a short comment deadline will constrain the quality of responses that commentators are able to provide, and may not give sufficient time for all potential unintended consequences of the proposed amendments to be considered. The proposed effective date of December 2008 year ends will also mean that entities may struggle to pull together the relevant information in time. We are also unsure whether the proposed amendments are so important that such a short timescale is necessary.

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We have not considered the proposed amendments in detail, but we have the following general comments to make:

- If the real issue relates to the accounting for impairments, we are unsure how far additional disclosures will be useful in addressing the issue. We would prefer to see a longer-term project addressing accounting for impairments more widely.
- Due to the timing issues discussed above, we do not support this exposure draft being finalised at this time.
- The amendments refer to investments in debt instruments. The term 'debt instruments' is not defined in IFRS literature; therefore there may be confusion as to what the intended scope of the amendments is.

I hope our comments are useful to you in the development of this exposure draft. If you wish to discuss any of them, please do not hesitate to contact me.

Yours faithfully

AMY HUTCHINSON
Assistant Director, Accounting and Auditing
Secretary to the Accounting Standards Committee

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