ESBG

Sir David Tweedie
Chairman of the IASB
30 Cannon Street
London
EC4M 6XH
by email to: commentletters@iasb.org

HAG (0026/09)

Brussels, 15 January 2009

Re: Exposure Draft of Proposed Amendments to IFRS 7 "Investments in Debt Instruments"

Dear Sir David,

On behalf of the European Savings Banks Group (ESBG), we would like to thank you for the opportunity to comment on the above mentioned Exposure Draft and enclose our detailed answer in the Annex to this letter.

The ESBG is concerned about the approach proposed by the IASB and would like to clearly point out that we do not support the proposed amendments.

We believe that the Exposure Draft does not go into the right direction. The amendments do not respond to the concerns previously raised notably by the European Commission in its October letter to the IASB. Against the background of the topics mentioned in the Commission letter, the proposed amendments cannot be regarded as a priority to be addressed at this point of time.

The ESBG believes that the Exposure Draft causes new complexity when requiring information with questionable relevance. We are convinced that the amendments do not give a correct answer to providing more information regarding impairment losses on financial assets and presume that the proposed amendments are a further step towards full fair value accounting which we do not support.

The ESBG stands ready to contribute further to any discussions on this matter and we remain at your disposal should you have any questions in relation to our comments.

I thank you in advance for taking our comments into consideration and remain

Yours sincerely

Chris De Noose
Managing Director

- Annex –

Annex

ESBG comments on *Exposure Draft of Proposed Amendments to IFRS 7 "Investments in Debt Instruments"*

General remarks

The ESBG is concerned about the approach proposed by the IASB. Although we understand that the Exposure Draft is the IASB's attempt to respond to the Commission's letter of October 2008, we are convinced that the proposal does not go into the right direction. The ESBG believes that the Exposure Draft causes new complexity when requiring information with questionable relevance. Against the background of the topics mentioned in the Commission letter, the proposed amendments cannot be regarded as a priority to be addressed at this point of time.

Having the complexity of the matters addressed in mind, we believe that the commenting period is too short. We do not see the need to rush and believe that all parties involved should take their time to thoroughly evaluate the necessity and the potential achievements of the proposed amendments.

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?

The ESBG is not convinced about the rationale for having all debt instruments measured at fair value through profit or loss and the profit or loss effect disclosed in the notes. Fair value through profit or loss is no relevant measurement for debt instruments which are not managed on fair value basis but are held until maturity. We are convinced that the amendments do not give a correct answer to providing more information regarding impairment losses on financial assets and presume that the amendments are a further step towards full fair value accounting which we do not support.

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?

The ESBG does not agree with the proposal and does not support the reconciliation between different requirements. We are convinced that using two alternative classification assumptions does not provide any relevant information and might on the contrary lead to further confusion.

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?

The ESBG does not agree with the proposed amendment. In our view, the disclosure requirements in paragraph 30 A(b) would be redundant. Fair values for loans and receivables and held to maturity investments are already given in the notes according to paragraph 25. They are compared with the carrying amount, and we are convinced that this information is sufficient.

In addition, we have doubts regarding the proposal to include tabular formats in standards which should be key principle-based. We believe that the presentation should be left at the discretion of the preparer.

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?

As previously expressed, the ESBG does not agree with the Exposure Draft as such and can therefore not directly approve the scope of exclusions for debt instruments classified at fair value through profit or loss. Nevertheless, the ESBG would agree with the scope of exclusions for debt instruments classified at fair value through profit or loss in case the proposed amendments would be confirmed. In general, we are supportive of no additional disclosure requirements for investments in debt instruments classified as at fair value through profit or loss.

Question 5

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

The ESBG does not agree with the proposed effective date (annual periods ending on 15 December 2008). We doubt that no additional information to that already required by IFRS 7 would have to be gathered to provide the disclosures. We rather believe that it might cause practical problems for entities to have the required information ready on time.

Question 6

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

The ESBG believes that the proposal of transitional requirements which exempt preparers from producing comparative information is reasonable.