Rådet för finansiell rapportering

The Swedish Financial Reporting Board

RFR-rs 2009:01

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sirs,

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

The Swedish Financial Reporting Board is responding to your invitation to comment on the above Exposure Draft (ED).

The introduction in the Exposure Draft and BC4 and BC5 note that the proposed disclosures are intended to respond to calls at the joint IASB/FASB round-table meetings to provide disaggregated information about impairment losses on available for sale (AFS) debt instruments. In particular, participants suggested that the disaggregated information should identify for impaired AFS debt instruments the incurred loss portion, i.e. the loss amount that would be recognised under the impairment model for debt instruments measured at amortised cost. In our view, the proposed disclosure requirements do not achieve that objective and go well beyond the information requested at the round-table meetings.

To introduce the new disclosure requirements retroactively without following the normal due process time table is unacceptable. The appropriateness of the proposed disclosure requirements need to be evaluated in detail before being proposed to be implemented.

The Swedish Financial Reporting Board has strong objections against the manner in which this Exposure Draft was issued. It was issued on 23 December 2008, the day before Christmas. It has a comment period of only three weeks and as it was issued just before Christmas, the effective comment period is even shorter.

The Swedish Financial Reporting Board is a strong advocate for a measurement model that is based on the business intent of the entity. We believe that a model based on business intent is superior in estimating future cash flows of the entity. As described in previous comment letters we do not believe that fair value is the right measurement basis for all instruments. The proposed amendment in IFRS 7 introduces a full fair value model for financial instruments. We believe that the fair value information some times might be misleading and therefore strongly oppose the proposed disclosure requirements.

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Instead the IASB should align the measurement model for impairment losses. The size of the impairment loss for interest bearing securities in the Available for sale category should be calculated in the same way as debt instruments classified as loans and receivables or held to maturity. We fail to understand why there should be a difference.

The Exposure Draft proposes an effective date in 2008, which means retroactive legislation for Sweden, and other countries, dependent upon official endorsement. Retroactive legislation, as well as retroactive effective dates, is something which is problematic and should only be used in very exceptional circumstances.

If you have any questions concerning our comments please address our Executive member Carl-Eric Bohlin by e-mail to: carl-eric.bohlin@radetforfinansiellrapportering.se

Stockholm, January 20, 2009

Kind regards,

Anders Ullberg
Chairman

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