Grant Thornton International
Regent's Place
7th Floor
338 Euston Road
London NW1 3BG

Grant Thornton LLP
175 W Jackson
20th Floor
Chicago, Il 60604

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

14 January 2009

Submitted electronically through the IASB Internet site (www.iasb.org)

Exposure Draft Investments in Debt Instruments - Proposed Amendments to IFRS 7

Grant Thornton International is pleased to comment on the International Accounting Standards Board's (the Board) Exposure Draft Investments in Debt Instruments - Proposed Amendments to IFRS 7 (the ED). We have considered the ED along with the accompanying draft Basis for Conclusions.

In summary, we believe there is a good case for requiring disclosures that enable users to better understand the nature of impairment losses recognised on available for sale debt assets. We are not convinced that this is an urgent matter. However, should the Board decide that fast track amendments are necessary we would prefer a more limited disclosure requirement that focuses more narrowly on this specific matter.

Our responses to the questions in the ED's Invitation to Comment are set out below.

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?

We believe that the proposed disclosures in paragraph 30A(a) and (b) would provide some useful additional information. On balance we would however prefer a more limited disclosure that disaggregates impairment losses on available for sale debt assets into the incurred loss component and the remainder of the fair value change. Our reasons are as follows:

- The proposals are not tightly focused on what we believe to be the main issue at hand (the contrasting methods of calculating an impairment loss for debt assets classified as available for sale and similar assets classified as loans and receivables or held to maturity).

- Moreover, the proposals would not provide comprehensive information on the effects of measuring instruments on alternative bases. This is because the proposed disclosures: (i) only concern instruments held at a period end; (ii) do not capture debt instruments classified as at fair value though profit or loss; and (iii) do not capture financial liabilities or financial assets other than debt investments.

- IFRS 7 already requires extensive information concerning classification, fair value estimates, impairments and the effects of financial instrument measurement on profit or loss.

- The proposed disclosures would apply to any entities with debt securities even if none are classified as available for sale and regardless of whether any instruments so classified are impaired.

We also note that the term "investments in debt instruments" is not defined. We suggest that this term should be clarified. We also suggest that any definition or clarification should be phrased to make clear that short-term trade receivables are outside the scope of the proposed disclosures. In the absence of this clarification the proposed requirements might appear to override the exemption in paragraph 29(a) of IFRS 7 from disclosing fair values of instruments for which the carrying amount is a reasonable approximation of their fair value (such as short-term trade receivables and payables).

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?

If the Board decides to proceed with the requirement to disclose pre-tax profit under two alternative classification assumptions we believe that the usefulness of the reported information will be enhanced by some explanation of the differences. This would not necessarily require a quantified reconciliation in all cases although such an approach might be the best way to provide clarity in some cases.

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?

See our response to Question 1.

We also note that the proposed guidance at IG14A indicates that the proposed paragraph 30A(b) disclosure is disaggregated by IAS 39 measurement category. However, the proposed paragraph 30A(b) is not explicit as to the level of disaggregation required. If the proposed paragraph 30A(b) requirement is retained, we suggest that disaggregation by category provides more useful information and should be explicitly required by it.

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?

If the Board decides to require a broader disclosure on the effects of measuring debt investments in different ways (along the lines proposed), we agree that the scope should exclude investments in debt investments classified as at fair value through profit or loss. This view reflects the concerns expressed by the Board at BC6 regarding the imposition of a requirement to maintain amortised cost information for debt assets classified as at fair value through profit or loss. We also note that the amortised cost information required would include incurred impairment losses thereby introducing an impairment testing requirement for this category of assets. Preparers would also need to notionally separate any non-closely related embedded derivatives where applicable.

Although we agree with the Board's tentative decision to exclude debt investments classified as at fair value through profit or loss, this has the consequence that the new disclosures will provide incomplete information on the effects of fair value measurement in comparison to amortised cost measurement. We believe that this detracts significantly from the usefulness of the information (consistent with our response to Question 1). This is one of the reasons underlying our preference for a more limited amendment that disaggregates impairment losses on available for sale debt assets into the incurred loss component and the remainder of the fair value change. The inclusion or exclusion of instruments classified as at fair value through profit or loss would be irrelevant under this more limited approach and the problems identified at BC6 and in the preceding paragraph would be avoided.

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

We do not view the proposed additional disclosures as sufficiently urgent to justify mandatory application in periods ended prior to the publication of the amendment.

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

If the Board proceeds with amendments along the lines set out, and with the proposed effective date, we agree that it is appropriate to provide relief from the normal requirements on comparative information.

We suggest that IFRS 1 should also be amended to provide the same relief to a first-time adopter.

****

If you have any questions on our response, or wish us to amplify our comments, please contact our Executive Director of International Financial Reporting, Andrew Watchman (andrew.watchman@gtuk.com or telephone + 44 207 391 9510).

Yours sincerely,

Kenneth C. Sharp

Kenneth C Sharp
Global Leader - Assurance Services
Grant Thornton International