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Private & Confidential
Project Manager
Investments in Debt Instruments
International Accounting Standards Board
30 Cannon Street
London
EC4M 6HX

Submitted via IASB website www.iasb.org

Comment Letter: Investments in Debt Instruments

Dear Sir / Madam

We welcome the opportunity to comment on Exposure Draft: Investments in Debt Instruments.

Our overall view on the proposals is that they deliver no clear added benefits given the time and cost involved to prepare such disclosures, especially as they will have to be quickly produced for inclusion in 31 December 2008 year ends. We generally do not support retrospective application that would impact already tight year end deadlines.

We urge the board to focus on the underlying reasons for the proposal of these disclosures; namely the flaws in the current impairment model, rather than increase the volume and complexity of disclosure.

Please find our specific responses to the questions posed in the exposure draft 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?

It is our view that this proposed amendment does not deliver clear benefits given the time and cost involved in preparing these disclosures, with the resulting disruption to most preparer's year end financial reporting, which is already in progress.

The majority of the information required to be disclosed by the changes proposed in the exposure draft is already either directly or indirectly disclosed in financial statements currently. For instance, the pre-tax profit or loss as though the instrument had been classified as at fair value through profit or loss [30A (a), (i)] can be approximated using opening and closing fair values for these instruments, which are already disclosed. In addition, the disclosure required by 30 (b) (i) and (ii) is already required by IFRS 7 paragraph 25 and the disclosure in 30 (b) (iii) can be easily approximated by counting back the available-for-sale reserve.

With regard to the disclosure required in 30A (a), (ii), the disclosure of an available-for-sale asset's pre-tax profit or loss as though the instrument had been classified as amortised cost is a largely irrelevant disclosure since these assets are already accounted for on an amortised cost basis in the Income Statement.

We understand that part of the IASB's motivation for proposing these amendments arises from the inadequacies that have been highlighted in the differing methods for impairing available-for-sale assets versus impairing loans and receivables and held to maturity assets. In our view, the impairment models proposed in IAS 39 would be better replaced with a single model for all types of financial assets that would remove the inconsistency between treatments. Were this to be achieved then we see no reason to propose these disclosures and therefore it is our view that the board should focus on this underlying issue rather than impose these disclosures on preparers. Despite the majority of information appearing to be already disclosed, we consider that the requirement for this additional disclosure within the accounts will add workload to already pressurised year ends, with no obvious benefit.

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?

Per our answer to question 1, we do not believe that the disclosure of pre-tax profit or loss for the two alternative classification assumptions adds any significant benefit to the accounts, and certainly does not outweigh the costs involved.

Should this disclosure be imposed on preparers, we would not support a reconciliation between the two methods as we consider that this will require further time and effort from preparers with no discernable benefit.

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?

We refer you to our answer to question 1.

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?

While we do not support the proposals in this exposure draft, we consider that the exclusion of a significant amount of assets causes inconsistency for users.

Question 5

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

We do not support the amendment being applied to annual periods ending on or after 15 December 2008. The year end reporting process is an extremely pressurised process for most preparers and we cannot endorse anything that would impact the process of meeting tight deadlines for publishing financial statements where the amendment is being made at such relatively short notice unless there is a clear value added to users of the accounts.

Question 6

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

We consider it correct that comparative information should not be required as this may be practically difficult for preparers, especially if they have to produce this information at short notice before their year end financial statements are produced. However, we do not support the amendment's content (as mentioned in responses to questions 1-4) or the effective date (as mentioned in our response to question 5), and therefore cannot enter in to a full discussion of the transition requirements without accepting the need for transitioning at all.

If you should wish to discuss any of our comments please do not hesitate to contact us; we would be more than happy to meet with you on these issues.

Yours faithfully

Jim

Jim Coyle
Group Chief Accountant
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