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Sir
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Your message dated
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FF-40 / Klaus Kapp
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19.11.2003
Exposure Draft of proposed amendments to IAS 39

Dear Sir,

Having carefully analysed the exposure drafts of proposed amendments to IAS 39 published in June 2002 and August 2003, the Board's efforts to improve IAS 39 *are* to be, in our opinion, commended, especially the rules relating to portfolio hedge accounting. However, from a corporate treasury point of view, additional rules are required which take into account aspects relevant for the majority of companies, not only the bank specific hedging strategies. We are also concerned that the rules as suggested by the exposure drafts might create new divergencies between US GAAP and IFRS.

With regard to these exposure drafts, BMW has the following comments:

- 2 As regards 'Treasury Centre Netting' for foreign exchange hedging transactions (para. 134 of the current draft of IAS 39 and IGC item 134-1-b), foreign currency hedging via a treasury centre, consistent with the principle in US GAAP (FAS 133) should in our view be allowed. Additional costs for European companies and the undue privileges of companies applying US GAAP can only be avoided if the standard provides such an exception.
- 2 The exposure draft of proposed amendments to IAS 39 does not allow application of the short-cut method as allowed by US GAAP for the purpose of measuring hedge

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effectiveness and accounting of hedges. However, from a corporate treasury perspective, such an approach appears to be indispensable for an appropriate and workable application of hedge accounting rules. For this reason, we believe the short-cut method should also be applicable for cross-currency swaps, foreign exchange swaps and foreign exchange forwards.

Please do not hesitate to contact us if you have any queries regarding any of the above issues.

Yours sincerely

Bayerische Motoren Werke Aktiengesellschaft

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