

**Accounting Standards Board of Japan**

Kowa Building No.9,  
1-8-10, Akasaka, Minato-ku,  
Tokyo 107-0052  
Japan

Tel: 03-5561-8452

Fax: 03-5561-9624

<http://www.asb.or.jp>



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

Dear Sirs,

**Comments on the Exposure Draft of Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement “Cash Flow Hedge Accounting of Forecast Intragroup Transactions”.**

Accounting Standards Board of Japan (ASBJ) is pleased to comment on the Exposure Draft of Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement “Cash Flow Hedge Accounting of Forecast Intragroup Transactions”. The views expressed in this letter are those of International Issues Standing Committee of ASBJ.

The Exposure Draft proposes that application of hedge accounting should be permitted if forecast intragroup transactions are associated with forecast external transactions, while the revised IAS 39 prohibits entities from designating forecast intragroup foreign currency transactions as hedged items. However, we suggest that entities should be permitted to designate forecast foreign currency transactions as hedged items even if they are intragroup transactions.

The reasons are as follows:

- The proposed amendments require a linkage between forecast intragroup foreign currency transactions and forecast external transactions. However, regardless of whether such a linkage can be demonstrated, the exposure to changes in foreign exchange rates relating to forecast intragroup foreign currency transactions is not eliminated from a perspective of a group. Therefore, entities should be permitted to designate forecast intragroup foreign currency transactions as hedged items, regardless of whether they are linked with forecast external transactions.
- Under both Japanese and US GAAP, forecast intragroup foreign currency transactions can be designated as hedged items, because the exposure to changes in foreign exchange rates relating to forecast intragroup foreign currency transactions is not eliminated for a group. We consider it preferable that IAS 39 should permit hedge accounting for such transactions, also from the viewpoint of convergence of accounting standards.

We hope that our comments will contribute to the work of the IASB in arriving at its final decision.

Best Regards,

Ikuo Nishikawa  
Chairman, International Issues Standing Committee  
Vice-Chairman, Accounting Standards Board of Japan