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Executive Vice President and Controller

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Sandra Thompson
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International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
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Email: CommentLetters@iasb.org

Dear Sandra

Exposure Draft of Proposed Amendments to IAS 39 – Cash Flow Hedge Accounting of Forecast Intragroup Transactions

J.P. Morgan Chase & Co appreciates the opportunity to comment on the International Accounting Standards Board's ("IASB" or the "Board") Exposure Draft of Proposed Amendments to IAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions (the "Exposure Draft").

We support the proposals in the Exposure Draft and have set out the reasons for our views in more detail by addressing the specific questions raised.

Question 1

Do you agree with the proposals in this Exposure Draft? If not, why not? What changes do you propose and why?

We agree with the proposals in the Exposure Draft since they represent a pragmatic solution to an issue faced by many consolidated groups. Many consolidated groups manage foreign exchange ("FX") exposure on a consolidated basis. This is because investors expect that all risks, including FX, are appropriately managed. Investors generally assess their investment in the group's presentational currency, being the currency in which performance is reported and dividends are paid. A group's

presentational currency will often reflect the local currency of the jurisdiction in which it is listed and/or in which a significant number of its shareholders reside.

Groups that manage FX on a consolidated basis will view all forecasted transactions as creating economic exposure if the currency of the transaction is different to the group's presentational currency. If the group follows its policy and hedges this FX exposure, the derivative used to hedge the forecasted transaction may not meet the hedge accounting requirements of IAS 39 and the derivative will create volatility in its consolidated accounts. This will occur if the currency of the forecasted transaction is the same as the functional currency of the entity entering into the transaction. If it does not hedge the exposure, it is not managing what it views as economic risk. The proposals in the exposure draft will allow the group to align its risk management policy with the appropriate hedge accounting treatment.

Although the title of the Exposure Draft refers to "intragroup transactions", we note that the proposals do not require that an internal forecasted transaction exists. For instance if the proposals of the Exposure Draft were implemented, a consolidated group would be able to hedge the forecasted salary expenses of a foreign subsidiary, where those salaries are paid in the subsidiary's functional currency which is different from the group's presentational currency. This would be the case whether the salaries were funded by another entity (i.e. an intragroup forecasted expense) or funded by the subsidiary itself. This result appears broader than the title suggests, but as discussed above we support the broader application because we consider that such forecasted foreign currency salary payments would create an economic exposure to a consolidated group irrespective of whether there is a related internal transaction to another group entity.

Question 2

Do the proposals contained in Exposure Draft appropriately address the concerns set out in paragraph 3 of the Background on the Exposure Draft? If not, why not, and how would you address these concerns?

We consider that the proposals in the Exposure Draft do address the concerns raised in paragraphs 3(a) and 3(b). As indicated above, the proposals in the Exposure Draft are likely to have wider application than the specific situations raised (i.e. intra-group transactions) but based on our view that consolidated groups do have economic exposure to currencies and transactions outside their presentational currency, we are supportive of the scope of these proposals.

We acknowledge that the proposals in the Exposure Draft create a divergence with US GAAP, however given our support of the underlying rationale for the proposals we support divergence in this instance.

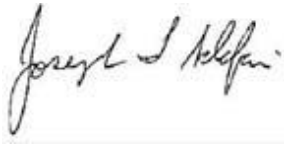
Question 3

Do you have any other comments on the proposals?

We have no other comments on the proposals.

We appreciate the opportunity to submit our views and would be pleased to discuss our comments with you at your convenience. If you have any questions, please contact me on +1 212.270.7559.

Sincerely,

A handwritten signature in black ink, reading "Joseph Sclafani". The signature is written in a cursive style with a large initial 'J' and a distinct 'S'.

Joseph Sclafani, EVPCC
J.P. Morgan Chase