



Holborn Hall
100 Gray's Inn Road
London WC1X 8AL

Telephone +44 (0) 20 7611 9700
Fax +44 (0) 20 7404 4497

<http://www.frc.org.uk/asb>

Sandra Thompson
Senior Project Manager
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

24 September 2004

Dear Sandra

Proposed amendments to IAS 39 on Transition and Initial Recognition of Financial Assets and Financial liabilities

The Accounting Standards Board is grateful for the opportunity to comment on the proposed amendments referred to above.

We would ideally not have wanted to see the IASB making detailed amendments of this kind to IAS 39 at this stage in the process. However, we recognise its desire to control possible earnings management abuses. We also support its view that, if possible without causing disruption, it should be seeking to achieve convergence with existing US practice in this area.

Against that background, we support the proposals set out in the exposure draft with one exception: rather than require the new guidance to be applied to all transactions that have taken place on or after 26 October 2002, we think it would be preferable:

- (a) to require it to be applied to all transactions entered into on or after 1 January 2005; and
- (b) to permit entities to apply it from an earlier date if they wish.



Adopting the same accounting requirements as the US is more important for some entities than for others. Our suggestion recognises this by enabling those entities that wish to achieve convergence with US practice to do so whilst not imposing the additional burden involved in applying the guidance to old transactions on those entities that attach no great importance to US convergence.

We wish also to make two points:

- (a) The material on day one/day two profits and losses affects the pattern in which profits are recognised on transactions. In particular, it results in profits being recognised on some transactions later than at present. Although we understand why the IASB has reached the conclusions it has in this ED, we think the underlying issues have wider implications and need in due course to be considered in a wider context than they have been to date. We would therefore hope that the IASB will look again at this part of IAS 39 in the light of the conclusions it reaches in its revenue recognition project.
- (b) Although US convergence in this area is a desirable objective, consideration needs also to be given to any implementation issues that are arising in the US. We understand from anecdotal evidence that the US provisions are not proving easy to implement.

The ASB is currently consulting on the proposals contained in the IASB exposure draft. We will pass on to you any views expressed to us that are relevant to your consultation.

Yours sincerely

Ian Mackintosh
Chairman