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Submitted via IASB website www.iasb.org

Comment Letter: Improvements to International Financial Reporting Standards

Dear Sir / Madam

We welcome the opportunity to comment on Exposure Draft: Improvements to International Financial Reporting Standards.

In general, we support the majority of the changes proposed by the board and recognise that these changes will improve the clarity and consistent application of existing IFRSs. We therefore have chosen to submit comments to you only where we have a suggestion on or disagreement with a proposed change. As a banking institution, our comments focus largely around those amendments that may potentially impact the treatment of financial instruments.

Question 6 – Do you agree with the proposal to amend the examples in paragraphs 68 and 71 of IAS 1 to remove the potential implication that financial assets and financial liabilities that are classified as held for trading in accordance with IAS 39 are required to be presented as current? If not, why?

We believe that in principle held for trading financial instruments should be classified as current given that the primary intent for holding these assets are almost always for the purpose of trade We acknowledge however that the requirement of IAS 39 to classify all derivatives not designated as hedging items as held for trading would result in a number of derivatives held for economic hedging purposes to be classified as current incorrectly.

In order to overcome this problem we propose that derivatives should be classified as a free standing sub-category of ‘at fair value through profit or loss’ and no longer be required to be classified as held for trading. We believe that this would simplify the financial asset and liability classifications and make the definition of ‘held for trading’ more intuitive and useful to the users of financial statements. This approach would allow a preparer to classify all held for trading instruments as current and thus better align this category of IAS 39 and the definition of current assets/liabilities (specifically sub-paragraph 66 (b)) found in IAS 1.

Question 7 – Do you agree with the proposal to amend paragraphs 7, 9 and 11 of IAS 8 to clarify the status of implementation guidance? If not, why?

We acknowledge that this proposed amendment has been made to avoid misinterpretation that the implementation guidance is mandatory. However, our concern is that certain aspects of the implementation guidance in those standards that are largely rules based (like IAS 39) represents additional rules that are not covered in other parts of the standards and are not generally covered by overriding principles due to the rules based approached followed in that standard.

We are concerned that a lack of mandatory guidance on specific items that are currently within the implementation guidance may result in diverging application in such areas as 'all in one' hedges or retrospective hedging, for example.

Question 30 – Do you agree with the proposal to amend IAS 39 by removing from the definition of a derivative the exclusion relating to contracts linked to non-financial variables that are specific to a party to the contract? If not, why?

We do not consider this amendment to be 'minor' and are particularly concerned over what this might bring in to the scope of IAS 39. There is a significant risk that, for example, general insurance contracts from a holder's perspective might fall into the definition of a derivative contract. Additionally, this amendment may bring certain contingent derivatives and contracts with clauses referring to non-financial performance variables like EBITDA in to the scope of derivatives.

This would represent a significant modification in accounting treatment of many legal arrangements and will result in undue complexity in measurement. To accurately calculate the fair value of certain non-financial variables that are specific to a party to the contract may be practically impossible or result in information that is incomparable across entities. We are of the strong view that although there might be academic and theoretical merit in this proposal, the cost will significantly exceed any benefit to users of the financial statements.

We consider the implications of this amendment to be significant enough to make this a 'major' change and therefore request that the proposal is subject to thorough analysis through separate due process.

If you should wish to discuss any of our comments please do not hesitate to contact us.

Yours faithfully

Graeme Tosen
Head of Technical Accounting