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Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
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5 October 2004

Dear Sir David

**Exposure Draft of Proposed Amendments to IAS 39, Financial Instruments:
Recognition and Measurement Transition and Initial Recognition of Financial Assets
and Financial Liabilities**

We are responding to your invitation to comment on the above exposure draft on behalf of the worldwide organisation and Global IFRS Board of PricewaterhouseCoopers.

Question 1

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

We share the concerns of constituents set out in paragraph 5 of the Background to the Exposure Draft and welcome the amendment to the transition rules in paragraph 104 of revised IAS 39. However, we do not support the imposition of a specific date for prospective application that has relevance only to SEC registrants.

We recommend that the requirements of paragraph AG76 should be applied prospectively to transactions entered into on or after 1 January 2004 or from an earlier date of the entity's choosing. This approach is consistent with the transition requirements for derecognition both for first time adopters (IFRS1.27&27A) and those transitioning to revised IAS 39 (IAS 39.106-107).

Question 2

Do the proposals contained in this Exposure Draft appropriately address the concerns set out in paragraph 5 of the Background on this Exposure Draft? If not, why not and how would you address those concerns?

Our approach recommended above is more effective than the proposals in the Exposure Draft at meeting the concerns set out in paragraph 5 of the Background. In particular, this minimises the extent to which non-SEC registrants are required to make subjective

assumptions about observability of data since they would not have to revisit transactions that took place prior to 1 January 2004. At the same time, it would also enable SEC registrants to use the date on which they first adopted EITF 02-03. This is particularly important since we note that the Exposure Draft proposes 25 October 2002 as the relevant date. However, the requirements in US GAAP were applied in practice only to transactions entered into after 21 November 2002. The Emerging Issues Task Force finalised the drafting of EITF 02-03, including the relevant footnote, at its meeting on 21 November 2002 and consequently SEC registrants applied the guidance prospectively to new transactions entered into after that date.

Question 3

Do you have any other comments on the proposals?

We welcome the Board's decision to clarify the confusion that had arisen over how any gain or loss not recognised on 'day 1' should be recognised subsequently, and more specifically to prohibit recognition of the entire gain or loss on 'day 2'. However the proposed wording does not clarify the confusion, but rather raises more questions as to the meaning of "a change in a factor (including time) that market participants would consider in setting a price." An interpretation of this phrase is that it permits the recognition of any 'day 1' gain or loss in profit or loss on a systematic basis over time, even in the absence of any observable transaction data to support such a treatment. This also has the advantage of being consistent with our interpretation of US GAAP. If this is the intention, the Board should clarify it.

If the current transition proposals are retained, proposed paragraph 25E should be redrafted to clarify that the application of AG76 is either fully retrospective for all transactions or prospective for all transactions and that there is no opportunity to apply different treatments to specific transactions. Additionally, we would recommend that proposed paragraph 108A be amended to mirror paragraph 103 with regards to the existing 1 January 2005 transition date.

We note that IFRIC 1 already added paragraphs 13 (j) and 25E to IFRS 1. This exposure draft should therefore add paragraphs 13(k) and 25F.

If you have any questions in relation to this letter please do not hesitate to contact Jochen Pape, Chair of the PwC Global IFRS Board (+49 211 981 2905), or Ian D Wright (+44 207 804 3300).

Yours faithfully

PricewaterhouseCoopers LLP