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International Accounting Standards
Board
Sandra Thompson
30 Cannon Street
London EC4M 6XH
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Transition and Initial Recognition

Ms. Thompson

UBS AG is pleased to have the opportunity to comment on the Exposure Draft of Proposed Amendments to IAS 39 *Financial Instruments: Recognition and Measurement, Transition and Initial Recognition of Financial Assets and Financial Liabilities*. UBS is a strong supporter of the IASB and its initiative to continually improve financial accounting and reporting.

UBS strongly supports the proposed amendments to permit entities to apply the 'day one' gain or loss recognition requirements in IAS 39 prospectively to transactions entered into after 25 October 2002. This approach converges with US GAAP and will eliminate the burden of full retrospective adoption. Retrospective application would be extremely difficult to apply and would result in recycling previously recognized profits through the income statement. This treatment would create a difference to US GAAP, which is contrary to the goals of the IASB as stated in IAS 39 Basis for Conclusions paragraph 104. UBS is very supportive of the IASB's proposal to address these issues, which facilitate the adoption of IAS 39.

We note that various methodologies have been adopted in practice for recognition of 'day two' gain or loss, which may impair comparability among peer organizations. As such, we propose that the Board add to its agenda a longer-term project to address fair value measurement and recognition issues, with specific attention to the 'day two' issue.

We have provided responses to the specific questions asked in the Invitation to Comment in Appendix A of this letter.

We very much appreciate the opportunity to comment. If you would like to discuss any statements that we have made, please contact us at your convenience. Your contacts on this subject are Ralph Odermatt, Managing Director (+41 1 236-8410) and John Gallagher, Executive Director (+1 203 719-4212).

Regards,

UBS AG

Ralph Odermatt
Managing Director
Accounting Policies and Support

John Gallagher
Executive Director
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Appendix A

Question 1

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

UBS supports the proposals of this Exposure Draft. This approach converges with US GAAP and will eliminate the burden of full retrospective adoption.

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?

Yes, the proposals contained in this Exposure Draft appropriately address the concerns raised by constituents. UBS was among the constituents that highlighted concerns regarding the 'day one' transition requirements. UBS adopted the provisions of revised IAS 39 as of 1 January 2004. Upon initial adoption we noted several potential issues relating to the 'day one' transition rules that had not been considered in our initial response to the IAS 39 Exposure Draft. Specifically we noted that retrospective application would be extremely difficult to apply and would require subjective assumptions regarding observable data. In addition, retrospective application would result in recycling previously recognized profits through the income statement. This treatment would create a difference to US GAAP, which is contrary to the goals of the IASB as stated in IAS 39 Basis for Conclusions paragraph 104.

Question 3

Do you have any other comments on the proposals?

We propose that the Board add to its agenda a longer-term project to address fair value measurement and recognition issues, with specific attention to the 'day two' issue. We note that various approaches have been adopted in practice, which may lead to significantly different results and impair comparability among institutions.