

International Accounting Standards Board
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Comments to Exposure Draft of Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement – The Fair Value Option

IASB published on 21 April 2004 an Exposure Draft of Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement – The Fair Value Option. Realkreditrådet (Association of Danish Mortgage Banks) would like to attach some comments to this proposal for amendments to IAS 39.

Realkreditrådet has with considerable interest followed the discussions this year about the general fair value option in IAS 39 (December 2003). The fair value option is very important to Danish Mortgage Banks. This is based on the close relation between the Danish mortgage banks' mortgage loans and the issued mortgage bonds. The fair value option for both mortgage loans and mortgage bonds is the only way of getting a transparent and market-orientated valuation of bonds owned by Danish financial institutions. Realkreditrådet has in a letter dated 12 March 2004 to IASB more detailed explained why the fair value option is very important to Danish Mortgage Banks.

After the Board met in March Realkreditrådet was pleased to note the presented tentative decisions, including the explicit reference to possible fair value measurement of i.e. Danish mortgage loans provided that the assets and liabilities meet the "substantially offset" test.

In the presented exposure draft the below fair value situations are of decisive importance to the Danish mortgage banks:

- (b)(i) Financial instruments containing embedded derivatives
- (b)(iii) The exposure to changes in the fair value of the financial asset or financial liability (or portfolio of financial assets or financial liabilities) is substantially offset by the exposure to the changes in the fair value of another financial asset or financial liability (or portfolio of financial assets or financial liabilities), including a derivative (or portfolio of derivatives).

Realkreditrådet looks forward to the issuance of the final revised IAS 39 containing the above fair value situations. It will then be possible that fair values can be used in the Danish mortgage banks in an appropriate manner.

Best regards,

Jan Knøsgaard
Deputy Director General