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AMENDMENTS TO IAS 39, THE FAIR VALUE OPTION

Dear Sandra

We welcome the opportunity to offer our comments on the above draft.

We perceive several aspects of the proposals as being sub-optimal.

- It is not immediately apparent that they achieve the objectives shown in BC 9.
- Although we have been unable to identify any transactions in Roche for which planned fair value treatment would be frustrated by the proposals, we believe it likely that certain financial institutions would no longer be able to achieve meaningful hedge accounting for real economic hedges in some cases, e.g. with some natural hedges.
- The need to introduce many detailed rules to prevent potential abuses feared by the regulators would take us away from a principles-based standard and from a more practicable hedge-accounting approach. In this context it is also not clear why the standard should be used as a tool for financial regulation. IAS 39 should address financial reporting issues and meet the needs of a broad range of users: if regulators need different information for regulatory purposes they can determine appropriate regulations within their individual jurisdictions.
- The introduction of a „verifiability“ criterion seems to us confusing, undesirable and unnecessary. The interrelationship with „reliability“ is far from clear, and the notion appears to introduce two different levels of reliability characteristic depending on the transaction involved, which is likely to lead to inconsistent and incoherent treatment of basically similar transactions.

Considering these issues, we believe that it would be preferable to leave the fair value option as originally foreseen but to require consistent application and disclosure of the situations in which it is applied, with explanations and justifications.

Yours sincerely,

F. Hoffmann-La Roche Ltd

Erwin Schneider

Alan Dangerfield