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Via website posting: <http://www.iasb.org/>

Re: Exposure Draft Comment: Hedge Accounting(ED/2010/13)

Dear Sir/Madam,

Grant Thornton China (Jingdutianhua CPAs) welcomes the publication by the IASB of the above-referenced ED on hedge accounting under the final phase of its project to replace IAS39.

The ED proposes a new hedge accounting model which better aligns hedge accounting with risk management. The requirements proposed by the ED would enable entities to reflect their risk management activities better in their financial statements, and, in turn, help investors to understand the effect of those activities on future cash flows. As Chinese accounting standards setting body would probably adopt this model, I would like to highlight a few key concerns which deserve consideration in China's emerging markets.

The ED looks only at whether a risk component can be identified and measured, as opposed to determining what can be hedged by type of item (financial or non-financial). We are supportive of this proposal. However, for non-financial items that are not contractually specified into separately identifiable and reliably measurable risk components, financial statements preparers would face challenges in disaggregating them. We need more operational guidance on disaggregating hedged items into separately identifiable and reliably measurable risk components.

The ED proposes the hedge effectiveness requirements as a qualifying criterion for hedge accounting. We agree with this proposal. However, as this criterion depends on the notion of "an unbiased result" and "other than accidental offsetting" which is susceptible to varying degrees of judgement and interpretation, we need a clearer and more specific definition of such notion to ensure the comparability of accounting information.

The ED permits hedging relationships to be adjusted without necessarily stopping and potentially restarting hedge accounting. We support this proposal as it would more closely align hedge accounting with actual risk management. However, as the rebalancing evaluation demands substantial judgement, more guidance and illustrative examples are required to enable entities to decide when rebalancing would be appropriate. From a practical standpoint, we believe that proactive rebalancing should only be permitted if an entity adjusts the hedge ratio of an existing hedging relationship to reduce anticipated hedging

ineffectiveness. Otherwise, there is a possibility that the proposed proactive rebalancing might provide an opportunity for structuring.

We appreciate this opportunity to comment on this exposure draft. Please contact Lianqiang Qiu at Grant Thornton China (Qiulianqiang@cn.gt.com) if you would like us to clarify any of the points made in this letter.

Sincerely,

[Original signed by:]

Dengshu Tong

Partner