

International Accounting Standards Board  
30 Cannon Street  
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United Kingdom

[Via website posting: [www.iasb.org](http://www.iasb.org)]

Your reference  
ED/2010/13

## **Comment letter on the exposure draft *Hedge Accounting***

Dear Sir/Madam,

We thank you for providing us the opportunity to respond on your exposure draft *Hedge Accounting* (ED/2010/13).

Overall, we recognize that the Board's proposals on hedge accounting represent an improvement as compared to the requirements of IAS 39. Representing the preparer community, we particularly welcome the proposals to better align hedge accounting with management's risk management strategy. However, we have some serious concerns, as follows.

### *Presentation in financial statements*

The Board's proposal would require for fair value hedges that the gain or loss on the hedging instrument and the hedged item be recognized in OCI and the ineffective portion be recognized in profit or loss. The proposal requires gains or losses on the hedged item to be presented as a separate line item in the statement of financial position. In real life, preparers have several hedged items which will create a vast and confusing number of additional line items. We believe that the proposed requirements will further disorient the statements of financial position, comprehensive income and changes in shareholders' equity without adding any value to users of financial statements. Further, we have difficulties to understand the value of the separate line item in the statement of financial position. It does not appear to meet the criteria of a stand-alone asset or liability and could possibly be interpreted as a valuation reserve. In addition, the mandate for a separate line item would appear to require disclosure of an item even if it is not material. We recommend that the Board reconsider the proposed requirements as regards the presentation in financial statements.

In these, as well as in several other recent proposals, OCI seems to be increasingly used as a default residual account for parking balances which otherwise cannot be properly accounted for either in income or equity. We fear that this trend jeopardizes any future exercise to develop a principles-based OCI concept.

### *Disclosure requirements*

We are concerned that the Board's proposal is adding additional layers of disclosure on hedge accounting, impairment and offsetting. This increases the disclosure burden for preparers and increases clutter in financial statements without improving the usefulness of information to users. We are also concerned that the disclosure require-

ments are too detailed. Such excessive disaggregation will be costly, lead to information overload, and potentially reveal commercially sensitive information.

In fact, it is our view that this and other recently issued proposals increase disclosure complexity to the extent that preparers will have to seek alternative ways of presenting the information in the financial statements to their investors; large funds as well as small private shareholders. This may lead to a diminishing rationale and value of IFRSs.

Hence, we recommend that, before IFRS 9 is finalized, the Board should review the disclosures across each project phase as well as the existing disclosures in IFRS 7 and eliminate those disclosures which do not provide useful information.

#### *Discontinuing hedge accounting*

We believe that voluntary discontinuation should be permitted when in line with management's hedge accounting strategy. Initiating hedge accounting is voluntary and we do not understand why vice versa discontinuation should be prohibited. As we interpret the proposed standard, abuse is already prevented by requiring clear disclosure of the preparer's hedge accounting strategy.

#### *Other issues*

As noted above, replacement of IAS 39 is undertaken by means of independent and separate projects. To secure internal consistency and integration in all respects, we recommend that a final decision on the effective date is not made until a review of the entire replacement standard has been performed.

We are also concerned about the divergent views held by IASB and FASB on accounting for financial instruments and the Boards' unsynchronized work plans. Preparers favor an early resolution of these issues in the interest of meaningful convergence of globally accepted accounting standards.

Should you wish to discuss the contents of this comment letter, please do not hesitate to contact Göran Nilsson, Head of Corporate Financial Control, at [goran.nilsson@teliasonera.com](mailto:goran.nilsson@teliasonera.com).

Best regards,

[Original signed by]

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