



February 14, 2011
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Subject: ED Hedge Accounting

Gentlemen

PPE FIOS ESMALTADOS S/A is a Brazilian company which produces enamel wires and cables and has as its main raw material copper or aluminum. As our prices are expressed in LME – London Metal Exchange prices and in dollars, but our balance sheet is expressed in Brazilian Reais, our main interest is to hedge metal prices and exchange rates and to have an accounting rule which presents adequately this reality.

We participated of the meeting held in São Paulo in February, 10 with IASB representatives and were relieved to hear the many changes proposed in the Exposure Draft on Hedge Accounting because they respond adequately to our needs and allow a reduction of the operational costs of hedge.

In our opinion, some of the positive changes are:

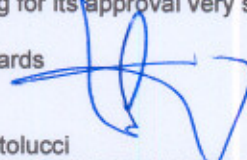
- a) It is possible now to match several positions covering only the outstanding position. This should reduce the cost of hedge;
- b) The concept 80% - 125% was artificial and did not represent each individual reality. The use of a different parameter should substitute the previous concept with higher quality;
- c) IAS 39 did not accept a hedge unless it was covered by a derivative. Now, if the entity is able to hedge with a less expensive operation it may do that;
- d) IAS 39 did not accept the valuation of stocks with the separation and identification of a raw material isolating this valuation from the other costs of the product. It seems that it shall be possible with the ED;

Speaking about a group of items with offsetting hedged risk positions as of paragraphs 37 and 40, we do not know how to report when there are operational assets offset partially by financial liabilities. The net cost of hedge should be presented as an operational cost in this situation? And if the case is reversed, with financial liabilities outstanding to operational assets, should the net cost be presented as a financial cost? Paragraph 26 (b) does not describe such a situation. Is it possible to address this point in a clearer way?

We have also detected a tendency which should be reduced to the minimum possible: the ED Hedge Accounting has 64 pages. It is true that it substitutes part of the IAS 39, with more than 200 pages but we have seen the evolution of other accounting rules and know were they arrived. Thousands and thousands of pages and the philosophical principles were substituted by "what to do" manuals. We do not want to see the IFRS rules follow the same way.

We compliment the IASB for its very good proposal of the ED Hedge Accounting and shall be expecting for its approval very soon.

Best regards


Aldo Bertolucci
CFO – PPE FIOS ESMALTADOS S/A