



International Association of Consultants, Valuators and Analysts

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International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom
By submission to ifrs.org/comments

Ladies and Gentlemen,

This letter of comment is submitted on behalf of the IFRS Committee of the International Association of Consultants, Valuators and Analysts (IACVA), a member of the International Valuation Standards Council (IVSC) and the World Association of Valuation Organizations (WAVO). We are a knowledge transfer and credentialing organization with Charters, issued or pending, in Canada, China, Egypt, Germany, Ghana, India, Indonesia, Jordan, Kuwait, Lebanon, Mexico, Nigeria, Philippines, Russia, Saudi Arabia, South Korea, Taiwan, Thailand, United Arab Emirates, United States (National Association of Certified Valuation Analysts – NACVA and the Institute of Business Appraisers – IBA) and Vietnam. The organization has nearly 10,000 members, who are mainly involved in business valuation and fraud deterrence.

As a worldwide organization, our members are extremely concerned with the development of the valuation provision in International Financial Reporting Standards (IFRS), as well as Generally Accepted Accounting Principles in the United States (GAAP). They are especially worried by the trend in the convergence activities that seems to result in IFRS moving towards GAAP rather than the process correcting the many practical deficiencies and complexities of the recent codification, especially its excessive rules.

We appreciate the opportunity to comment on the Exposure Draft *“Hedge Accounting”*. In general, the Committee is pleased with the proposals in the ED but we feel that it is still restrictive. The Board does not appear to be willing to allow full hedge accounting for all risk management activities. In particular, the absence of provisions relating to macro hedging is a significant omission. In addition, we do not understand why, if a hedged net position consists of forecast transactions, all of the hedging activity has to relate to the same period.

Our detailed observations to the questions in this ED are as follows:

Objective of hedge accounting (paragraphs 1 and BC11–BC16)

IN12 This exposure draft proposes that the objective of hedge accounting is to represent in the financial statements the effect of an entity's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss. This aims to convey the context of hedging instruments in order to allow insight into their purpose and effect.

IN13 The Board believes that an objective would be helpful in setting the scene for hedge accounting and to lay the foundation for a more principle-based approach. An objective also assists the understanding and interpretation of requirements.

Question 1

Do you agree with the proposed objective of hedge accounting? Why or why not? If not, what changes do you recommend and why?

From a valuation point of view, the Committee prefers the objective for hedge accounting set out in BC14(a) "providing a link between an entity's risk management and its financial reporting". We believe it is within the skills of the Board and its staff to deal with the problem of "what risk management activity is being referred to"; we recommend including all such activities.

Instruments that qualify for designation as hedging instruments (paragraphs 5–7 and BC28–BC47)

IN14 The exposure draft proposes that a non-derivative financial asset and a non-derivative financial liability measured at fair value through profit or loss may be eligible for designation as a hedging instrument.

IN15 The Board believes that extending eligibility to non-derivative financial instruments in categories other than fair value through profit or loss would give rise to operational problems and be inconsistent with its decision not to allow hedge accounting for investments in equity instruments designated as at fair value through other comprehensive income. However, the Board believes that extending eligibility to non-derivative financial instruments that are measured at fair value through profit or loss, if designated in their entirety, would not give rise to the need to change the measurement basis of the financial instrument. The Board also believes that extending eligibility to these financial instruments would align more closely with the classification model of IFRS 9.

Question 2

Do you agree that a non-derivative financial asset and a non-derivative financial liability measured at fair value through profit or loss should be eligible hedging instruments? Why or why not? If not, what changes do you recommend and why?

We believe that any asset, liability or derivative should be eligible as a hedging instrument irrespective of where it is measured, provided that the hedging gains or losses are applied directly against the related, recorded losses or gains of the underlying asset, liability or cash flows being hedged.

Derivatives that qualify for designation as hedged items (paragraphs 15, B9 and BC48–BC51)

IN16 The exposure draft proposes that an aggregated exposure that is a combination of an exposure and a derivative may be designated as a hedged item.

IN17 The Board believes that an entity is often economically required to enter into transactions that result in, for example, interest rate risk and foreign currency risk. Even though these two exposures can be managed together at the same time and for the entire term, the Board believes that entities often use different risk management strategies for the interest rate risk and foreign currency risk. The Board believes that the fact that an aggregated exposure is created by including an instrument that has the characteristics of a derivative should not, in itself, preclude designation of that aggregated exposure as a hedged item.

Question 3

Do you agree that an aggregated exposure that is a combination of another exposure and a derivative may be designated as a hedged item? Why or why not? If not, what changes do you recommend and why?

We concur with the Board's position as, in our view, the offsetting and management of risk is the objective of hedging, irrespective of how it is financially recorded.

Designation of risk components as hedged items (paragraphs 18, B13–B18 and BC52–BC60)

IN18 The exposure draft proposes that an entity may designate all changes in the cash flows or fair value of an item as the hedged item in a hedging relationship. An entity may also designate as the hedged item something other than the entire fair value change or cash flow variability of an item, ie a component. However, the exposure draft proposes that when an entity designates only changes in the cash flows or fair value of an item attributable to a specific risk or risks (ie a risk component) that risk component must be separately identifiable and reliably measurable.

IN19 The Board believes that it is not appropriate to limit the eligibility of risk components for designation as hedged items on the basis of whether the risk component is part of a financial or a non-financial item (as is the case in IAS 39). The Board believes that it is more appropriate to permit the designation of risk components as hedged items if they are separately identifiable and reliably measurable—irrespective of whether the item that includes the risk component is a financial or non-financial item. This would also more closely align hedge accounting with risk management. The determination of appropriate risk components requires an evaluation of the relevant facts and circumstances.

Question 4

Do you agree that an entity should be allowed to designate as a hedged item in a hedging relationship changes in the cash flows or fair value of an item attributable to a specific risk or risks (ie a risk component), provided that the risk component is separately identifiable and reliably measurable? Why or why not? If not, what changes do you recommend and why?

We agree with the Board's position.

Designation of a layer component of the nominal amount (paragraphs 18, B19–B23 and BC65–BC69)

IN20 The exposure draft proposes that a layer component of the nominal amount of an item should be eligible for designation as a hedged item. However, a layer component of a contract that includes a prepayment option is not eligible as a hedged item in a fair value hedge if the option's fair value is affected by changes in the hedged risk.

IN21 Hedging a layer of the nominal amount addresses the fact that there may be a level of uncertainty surrounding the hedged item. The Board believes that designating a percentage component of a nominal amount as the hedged item can give rise to an accounting outcome different from designating a layer component of a nominal amount as a hedged item. If the designation of the component of a nominal amount is not aligned with the risk management strategy of the entity, it might result in less useful information to users of financial statements. In the Board's view there might be circumstances in which it is appropriate to designate as a hedged item a layer component of the nominal amount.

IN22 The Board believes that if the prepayment option's fair value changed in response to the hedged risk, a layer approach would be tantamount to identifying a risk component that was not separately identifiable (because the change in the value of the prepayment option owing to the hedged risk would not be part of how hedge effectiveness would be measured).

Question 5

(a) Do you agree that an entity should be allowed to designate a layer of the nominal amount of an item as the hedged item? Why or why not? If not, what changes do you recommend and why?

We agree with the Board's position as set out in BC65 to BC69.

(b) Do you agree that a layer component of a contract that includes a prepayment option should not be eligible as a hedged item in a fair value hedge if the option's fair value is affected by changes in the hedged risk? Why or why not? If not, what changes do you recommend and why?

We do not agree with the Board's rejection of a layered component of a contract with a prepayment option. In our view, the purpose of such an attribute is mainly to assist in the entity's risk management process by making it easier to unwind the hedge.

Hedge effectiveness requirements to qualify for hedge accounting (paragraphs 19, B27–B39 and BC75–BC90)

IN23 The exposure draft proposes that a hedging relationship should meet the hedge effectiveness requirements as one of the requirements to qualify for hedge accounting. Those qualifying criteria are set out in paragraph 19.

IN24 IAS 39 permits hedge accounting only if a hedge is highly effective, both prospectively and retrospectively. IAS 39 regards a hedge as highly effective if the offset is within the range of 80–125 per cent. The Board proposes to eliminate the 80–125 per cent ‘bright line’ for testing whether a hedging relationship qualifies for hedge accounting. Instead, the Board believes that an objective-based assessment would enhance the link between hedge accounting and an entity’s risk management activities. The proposed hedge effectiveness requirements are that a hedging relationship:

- (a) meets the objective of the hedge effectiveness assessment (ie to ensure that the hedging relationship will produce an unbiased result and minimise expected hedge ineffectiveness); and
- (b) is expected to achieve other than accidental offsetting.

Question 6

Do you agree with the hedge effectiveness requirements as a qualifying criterion for hedge accounting? Why or why not? If not, what do you think the requirements should be?

We believe that the Board was correct in its initial considered approach, set out in BC80. Many risk management techniques cannot be totally effective and consider that, if in doubt, a chosen procedure should be eligible for hedge accounting, rather than continue the restrictive view of IAS 39.

Rebalancing of a hedging relationship (paragraphs 23, B46–B60 and BC106–BC111)

IN25 The exposure draft proposes that when a hedging relationship no longer meets the objective of the hedge effectiveness assessment but the risk management objective for that designated hedging relationship remains the same, an entity should rebalance the hedging relationship so that it meets the objective of the hedge effectiveness assessment again. When an entity expects that a hedging relationship might cease to meet the objective of the hedge effectiveness assessment in the future, it may proactively rebalance the hedging relationship.

IN26 The Board believes that there are instances in which, although the risk management objective remains the same, adjustments are required to the existing hedging relationship to maintain the alignment to risk management policies. The adjustments to the hedged item or hedging instrument do not change the original risk management objective as stated in the documentation supporting the designation. The Board believes that in these circumstances the revised hedging relationship should be accounted for as a continuation of an existing hedge rather than as a discontinuation. The Board calls this adjustment rebalancing.

Question 7

(a) Do you agree that if the hedging relationship fails to meet the objective of the hedge effectiveness assessment an entity should be required to rebalance the hedging relationship, provided that the risk management objective for a hedging relationship remains the same? Why or why not? If not, what changes do you recommend and why?

We believe that if, due to changes in circumstances, modification to hedging, arrangements are needed to improve their effectiveness, they should be treated as adjustments provided the risk management objective is unchanged.

(b) Do you agree that if an entity expects that a designated hedging relationship might fail to meet the objective of the hedge effectiveness assessment in the future, it may also proactively rebalance the hedge relationship? Why or why not? If not, what changes do you recommend and why?

In our view it is immaterial if the rebalancing occurs as the result of an actual failure of the hedging objectives or is a proactive response to an anticipated failure.

Discontinuing hedge accounting (paragraphs 24, B61–B66 and BC112–BC118)

IN27 The exposure draft proposes that an entity shall discontinue hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes when the hedging instrument expires or is sold,

terminated or exercised (for this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy). This may affect the entire hedging relationship or a part of it.

IN28 The Board believes that hedge accounting should reflect an entity's risk management activities. Therefore, an entity should only discontinue hedge accounting when it no longer reflects the risk management strategy. Consequently, the Board believes that it is inappropriate for an entity to discontinue hedge accounting for a hedging relationship that still meets the risk management objective and strategy on the basis of which it qualified for hedge accounting and that continues to meet all other qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable).

Question 8

(a) Do you agree that an entity should discontinue hedge accounting prospectively only when the hedging relationship (or part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable)? Why or why not? If not, what changes do you recommend and why?

As the objective of hedge accounting is to reflect risk management, we believe that an entity may remove a hedge at any time if management believes that such action reduces overall risks.

(b) Do you agree that an entity should not be permitted to discontinue hedge accounting for a hedging relationship that still meets the risk management objective and strategy on the basis of which it qualified for hedge accounting and that continues to meet all other qualifying criteria? Why or why not? If not, what changes do you recommend and why?

We disagree with the Board. For example a foreign exchange hedge may be removed if due to purchases, borrowings or other transactions the continuation of such a hedge no longer reduces the entity's associated risks.

Accounting for fair value hedges (paragraphs 26–28 and BC119–BC129)

IN29 The exposure draft proposes that for fair value hedges, the gain or loss on the hedging instrument and the hedged item should be recognised in other comprehensive income. The ineffective portion of the gain or loss shall be transferred to profit or loss. In addition, the gain or loss on the hedged item shall be presented as a separate line item in the statement of financial position.

IN30 The Board believes that the proposed accounting treatment: (a) eliminates the mixed measurement for the hedged item (eg an amount that is amortised cost with a partial fair value adjustment); (b) avoids volatility in other comprehensive income and equity that some consider artificial; (c) presents in one place (ie other comprehensive income) the effects of risk management activities (for both cash flow and fair value hedges); and (d) provides information in the statement of comprehensive income about the extent of the offsetting achieved by fair value hedges.

IN31 The Board also discussed linked presentation as an alternative for presenting information in the statement of financial position for fair value hedges. Linked presentation is a way to present information together in the statement of financial position to show how a particular asset and liability are related. Linked presentation is not the same as offsetting. This is because linked presentation displays the gross amounts together in the statement of financial position.

IN32 The Board believes that although linked presentation could provide some useful information about a particular relationship between an asset and a liability, it does not differentiate between the types of risk that are covered by that relationship and those that are not. Consequently, linked presentation could result in one net amount for an asset and a liability that are 'linked' even though that link (ie the relationship) affects only one of several risks underlying the asset or liability (eg only currency risk but not credit risk or interest rate risk). Furthermore, the Board does not believe that linked presentation would result in more appropriate totals of assets and liabilities for the purpose of ratio analysis because the hedging affects only one risk but not all risks. Instead, the Board believes that disclosures about hedging would be a better alternative to provide information about the relationship between hedged items and hedging instruments that allows users of financial statements to assess the relevance of the information for their own analysis.

Question 9

(a) Do you agree that for a fair value hedge the gain or loss on the hedging instrument and the hedged item should be recognised in other comprehensive income with the ineffective portion of the gain or loss transferred to profit or loss? Why or why not? If not, what changes do you recommend and why?

We concur that the gains and losses on the hedge and the underlying items should be included in Other Comprehensive Income. We are not convinced that the ineffective portion should be transferred to Profit or Loss unless an un-hedged gain or loss in the underlying item would be so included.

(b) Do you agree that the gain or loss on the hedged item attributable to the hedged risk should be presented as a separate line item in the statement of financial position? Why or why not? If not, what changes do you recommend and why?

We recommend that the hedging gains or losses directly offset the loss or gains in the underlying item.

(c) Do you agree that linked presentation should not be allowed for fair value hedges? Why or why not? If you disagree, when do you think linked presentation should be allowed and how should it be presented?

In our view, the linked presentation is the most desirable and should not be prohibited. It helps users to understand the magnitude of the various elements of the risk management program.

Accounting for the time value of options for cash flow and fair value hedges (paragraphs 33, B67–B69 and BC143–BC155)

IN33 In IAS 39 the undesignated time value of an option is treated as held for trading and is accounted for at fair value through profit or loss. The Board believes that this accounting treatment is not aligned with an entity's risk management activities. The Board noted that the time value of an option is a cost of obtaining protection against unfavourable changes of prices or rates.

IN34 The exposure draft proposes that an entity should distinguish the time value of options by the type of hedged item that the option hedges: a transaction related hedged item or a time period related hedged item.

IN35 The exposure draft proposes specific accounting requirements for the time value of an option when an entity separates the intrinsic value and time value of an option contract and designates as the hedging instrument only the change in the intrinsic value.

Question 10

(a) Do you agree that for transaction related hedged items, the change in fair value of the option's time value accumulated in other comprehensive income should be reclassified in accordance with the general requirements (eg like a basis adjustment if capitalised into a non-financial asset or into profit or loss when hedged sales affect profit or loss)? Why or why not? If not, what changes do you recommend and why?

We concur with this treatment.

(b) Do you agree that for period related hedged items, the part of the aligned time value that relates to the current period should be transferred from accumulated other comprehensive income to profit or loss on a rational basis? Why or why not? If not, what changes do you recommend and why?

We do not agree with the Board's position, as accumulated time values are normally taken into account in establishing the hedge and are often offset by other factors.

(c) Do you agree that the accounting for the time value of options should only apply to the extent that the time value relates to the hedged item (ie the 'aligned time value' determined using the valuation of an option that would have critical terms that perfectly match the hedged item)? Why or why not? If not, what changes do you recommend and why?

We believe that actual hedging instruments adopted, not hypothetical ones, should be valued.

Hedges of a group of items (paragraphs 34–39, B70–B82 and BC156–BC182) Eligibility of a group of items as the hedged item (paragraphs 34, B70–B76, BC163, BC164 and BC168–BC173)

IN36 The exposure draft proposes that a group of items is an eligible hedged item only if:

- (a) it consists of items (including components of items) that individually are eligible hedged items;
- (b) the items in the group are managed together on a group basis for risk management purposes; and
- (c) for the purpose of cash flow hedge accounting only, any offsetting cash flows in the group of hedged items exposed to the hedged risk affect profit or loss in their entirety in the same reporting period (including interim periods as defined in IAS 34 *Interim Financial Reporting*).

IN37 An individual hedging approach involves an entity entering into one or more hedging instruments to manage the risk exposure attributable to an individual hedged item to achieve a desired outcome. This is similar for a group hedge approach. However, in a group hedge approach an entity seeks to manage the residual risk exposure from a group of items. Some of the risks in the group may offset (for their full term or for a partial term) and provide a hedge against each other, leaving the group residual risk to be hedged by the hedging instrument. An individual hedge approach and a group hedge approach are similar in concept, and so the Board believes that the requirements for qualifying for hedge accounting should also be similar. Consequently, the exposure draft proposes that the eligibility criteria that apply to individual hedged items should also apply to hedges of groups of items. However, some restrictions are retained for cash flow hedges of net positions for which the offsetting risk positions affect profit or loss in different reporting periods.

Question 11

Do you agree with the criteria for the eligibility of groups of items as a hedged item? Why or why not? If not, what changes do you recommend and why?

We do not believe that criteria (a) or (c) in IN36 are useful. If a group of items are combined for risk management purposes, they should be able to be treated as an eligible hedged item, without any other restrictions.

Presentation (paragraphs 37, 38, B79–B82 and BC174–BC177)

IN38 The exposure draft proposes that for a hedge of a group of items with offsetting hedged risk positions that affect different line items in the statement of comprehensive income (eg in a net position hedge), any hedging instrument gains or losses recognised in profit or loss shall be presented in a separate line from those affected by the hedged items.

IN39 For cash flow hedges of groups of items with offsetting risk positions (eg net positions) the hedged items may affect different income statement line items. Consequently, a cash flow hedge of such a group creates a presentation problem when amounts are reclassified from other comprehensive income to profit or loss. This is because the reclassified amounts would need to be grossed up to offset the hedged items effectively. The Board concluded that if it proposed to adjust (gross up) all the affected line items in the income statement the result would be the recognition of gross (partially offsetting) gains or losses that do not exist. This is not consistent with basic accounting principles. Consequently, the exposure draft proposes that amounts that are reclassified from other comprehensive income to profit or loss should be presented in a separate line item in the income statement for cash flow hedges of a net position. The Board believes that this avoids the problem of distorting gains or losses with amounts that do not exist.

Question 12

Do you agree that for a hedge of a group of items with offsetting risk positions that affect different line items in the income statement (eg in a net position hedge), any hedging instrument gains or losses recognised in profit or loss should be presented in a separate line from those affected by the hedged items? Why or why not? If not, what changes do you recommend and why?

We believe that gains or losses on hedges should be directly offset against those relating to the underlying item. If a hedging gain or loss relates to various line items, it should be reasonably allocated to them. It is important that the effect of risk management be shown offsetting the charges in all affected areas.

Disclosures (paragraphs 40–52 and BC183–BC208)

IN40 The exposure draft proposes disclosure requirements that provide information about: (a) an entity's risk management strategy and how it is applied to manage risk; (b) how the entity's hedging activities may affect the amount, timing and uncertainty of its future cash flows; and (c) the effect that hedge accounting has had on the entity's statement of financial position, statement of comprehensive income and statement of changes in equity.

IN41 The exposure draft also proposes that in the reconciliation of accumulated other comprehensive income in accordance with IAS 1 *Financial Statement Presentation*, an entity should provide sufficient detail to allow users to identify related amounts disclosed as part of the information to explain the effects of hedge accounting on the statement of comprehensive income. Furthermore, in the reconciliation of accumulated other comprehensive income, an entity should differentiate amounts recognised regarding the time value of options between transaction related hedged items and time period related hedged items.

IN42 The Board believes that the proposed disclosures provide relevant information that enhances the transparency regarding an entity's hedging activities.

Question 13

(a) Do you agree with the proposed disclosure requirements? Why or why not? If not, what changes do you recommend and why?

We agree with the disclosure in IN40. We believe that required by IN41 is excessive.

(b) What other disclosures do you believe would provide useful information (whether in addition to or instead of the proposed disclosures) and why?

We do not recommend any other disclosure.

Accounting alternatives to hedge accounting (paragraphs BC208–BC246) Accounting for a contract for a non-financial item that can be settled net in cash as a derivative (Appendix C and paragraphs BC209–BC218)

IN43 The exposure draft proposes that if it is in accordance with the entity's fair value-based risk management strategy derivative accounting shall apply to contracts that can be settled net in cash that were entered into and continue to be held for the purpose of the receipt or delivery of a nonfinancial item in accordance with the entity's expected purchase, sale or usage requirements.

IN44 The Board believes that hedge accounting does not necessarily provide appropriate accounting for hedging relationships that include commodity contracts. Consequently, the Board proposes to amend the scope of IAS 39 to allow a commodity contract to be accounted for as a derivative in appropriate circumstances. The Board believes that this approach combines the purpose for a contract that can be settled net to buy or sell non-financial items (normally commodities) that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements and also how they are managed. This better reflects the contract's effect on the entity's financial performance and provides more useful information.

Question 14

Do you agree that if it is in accordance with the entity's fair value-based risk management strategy derivative accounting would apply to contracts that can be settled net in cash that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements? Why or why not? If not, what changes do you recommend and why?

We concur with the Board's position.

Accounting for credit risk using credit derivatives (paragraphs BC219–BC246)

IN45 Many financial institutions use credit derivatives to manage credit risk exposures arising from their lending activities. For example, hedges of credit risk exposure allow financial institutions to transfer to a third party the risk of credit loss on a loan or a loan commitment. Hedges of credit risk might also reduce the regulatory capital requirement for the loan or loan commitment while allowing the financial institution to retain nominal ownership of the loan and the relationship with the client. Credit portfolio managers frequently use credit derivatives to hedge the credit risk of a proportion of a particular exposure (eg a facility for a particular client) or the bank's overall lending portfolio.

IN46 However, financial institutions that manage credit risk using credit derivatives generally do not achieve hedge accounting because it is operationally difficult (if not impossible) to isolate and measure the credit risk component of a financial item as a component that meets the eligibility criteria for hedged items. The spread between the risk-free rate and the market interest rate incorporates credit risk, liquidity risk, funding risk and any other unidentified risk component and margin elements. Although it is possible to determine that the spread includes credit risk, it is operationally difficult to isolate and measure the changes in fair value that are attributable solely to credit risk for the purpose of hedge accounting.

IN47 The Board considered three possible alternative approaches to hedge accounting when credit derivatives are used to hedge credit risk. Because of the complexities involved, the Board decided not to propose an alternative accounting treatment to account for hedges of credit risk using credit derivatives.

Question 15

(a) Do you agree that all of the three alternative accounting treatments (other than hedge accounting) to account for hedges of credit risk using credit derivatives would add unnecessary complexity to accounting for financial instruments? Why or why not?

We do not believe that either alternative 1 or alternative 2 would require much more data than is currently available. Giving management the choice to report on either basis reflecting the actual business model, would improve the information available to investors.

(b) If not, which of the three alternatives considered by the Board in paragraphs BC226–BC246 should the Board develop further and what changes to that alternative would you recommend and why?

In view of the advantages set out in BC236, we believe that alternative 2, as set forth in BC226(b), be allowed as an option when it reflects the entity's business model.

Effective date and transition (paragraphs 53–55 and BC247–BC254)

IN48 The Board proposes that the proposed requirements for hedge accounting be applied prospectively.

Question 16

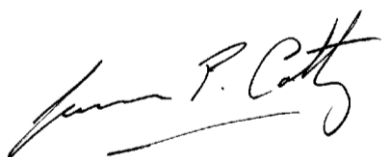
Do you agree with the proposed transition requirements? Why or why not? If not, what changes do you recommend and why?

We concur with the Board's position.

Should a Board or staff member wish to discuss this matter further, you may contact me during normal business hours (Eastern Time) at 416-865-9766.

Respectfully submitted on behalf of the IFRS Committee of IACVA

Per



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Chair