



New South Wales
TREASURY

Sir David Tweedie
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International Accounting Standards Board
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Our Reference:
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Dear Sir David

EXPOSURE DRAFT – *Investments in Debt Instruments*

New South Wales Treasury welcomes the opportunity to provide comments on the Exposure Draft *Investments in Debt Instruments*. Detailed comments are attached.

NSW Treasury appreciates the IASB's attempts to respond in a timely manner to the global credit crisis. However, we are concerned that in doing so, the quality of the standard setting process is being compromised.

While NSW Treasury acknowledges that a due process is being followed with this Exposure Draft, we have the following main concerns:

- With the exception of available-for-sale instruments, the proposed disclosures do not provide significant additional information.
- This ED reflects a piecemeal approach to amendments, without considering how all of the IFRS 7 disclosure requirements 'fit together'.
- The short time frame for comment may reduce the quality of responses on the proposals, which may impact on the quality of the final requirements.

Please contact Robert Williams (612 9228 3019) or Dianne McHugh (612 9228 5340) if you wish to discuss these matters further.

Yours faithfully

Robert Williams
for Secretary

NSW Treasury comments
Exposure Draft on Investments in Debt Instruments

Question 1

The exposure draft proposes in paragraph 30A(a) to require entities to disclose the pre-tax profit or loss as though all investments in debt instruments (other than those classified as at fair value through profit or loss) had been (i) classified as at fair value through profit or loss and (ii) accounted for at amortised cost. Do you agree with that proposal? If not, why? What would you propose instead, and why?

No. With the exception of available-for-sale instruments (which are measured at fair value), NSW Treasury does not believe that this disclosure provides significant additional information. This is because for financial instruments measured at amortised cost, fair value information is already provided (refer response to Question 3).

Question 2

The exposure draft proposes to require disclosing the pre-tax profit or loss amount that would have resulted under two alternative classification assumptions. Should reconciliations be required between profit or loss and the profit or loss that would have resulted under the two scenarios? If so, why and what level of detail should be required for such reconciliations?

No, as this is unnecessary additional detail.

Question 3

The exposure draft proposes in paragraph 30A(b) to require entities to disclose for all investments in debt instruments (other than those classified as at fair value through profit or loss) a summary of the different measurement bases of these instruments that sets out (i) the measurement as in the statement of financial position, (ii) fair value and (iii) amortised cost. Do you agree with that proposal? If not, why? What would you propose instead, and why?

No. With the exception of available-for-sale information, NSW Treasury does not believe that this disclosure provides any additional information for users. This is because entities are already required to disclose the fair value of each class of financial instrument in a way that it can be compared with its carrying amount (IFRS 7, para 25). Therefore, the only additional disclosure would be for available-for-sale financial assets, by providing amortised cost information.

Question 4

The exposure draft proposes a scope that excludes investments in debt instruments classified as at fair value through profit or loss. Do you agree with that proposal? If not, would you propose including investments in debt instruments designated as at fair value through profit or loss or those classified as held for trading or both, and if so, why?

Yes. For instruments at fair value through profit or loss, it may not be possible to determine the amortised cost in any meaningful way. However, it is not clear whether by using the word 'classified', the IASB is deliberately intending to require disclosure for those 'designated' at fair value through profit or loss. If this is the intent, then it should be made clear in the basis for conclusions.

Question 5

Do you agree with the proposed effective date? If not, why? What would you propose instead, and why?

No. NSW Treasury believes that the effective date should be the same as the other recent IFRS 7 Exposure Draft *Improving Disclosures about Financial Instruments: Proposed amendments to IFRS 7* (i.e. 2009/10). As discussed, NSW Treasury is concerned about the piecemeal approach to amendments and is unclear why some amendments are regarded as ‘urgent’ and others not.

Question 6

Are the transition requirements appropriate? If not, why? What would you propose instead, and why?

No comment.

Other comments

If the proposal proceeds, we suggest that the following drafting matters are considered:

- Para 30A(a) – insert ‘the effect on’ before ‘pre-tax profit or loss’.
- Para 30A(b) – suggest that the proposed Standard clarifies whether this disclosure should be by class or category (the example in IG14A discloses by category).