

15 January 2009

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC 4M 6XH
UNITED KINGDOM

commentletters@iasb.org.uk

Dear Sir David

“Investments in Debt Securities”

The Group of 100 (G100) is an organization of chief financial officers from Australia's largest business enterprises whose primary purpose is to advance Australia's financial competitiveness. The G100 is pleased to provide comments on the Exposure Draft (ED).

The G100 supports the intention of the IASB in seeking to address evolving issues and concerns in a timely manner but believes the modified due process should provide constituents with sufficient time to prepare a more considered response.

The G100 strongly opposes the proposal to issue the proposed amendments with retrospective effect to an annual reporting period that ends even before the ED was issued.

The ED proposes additional and, in some cases, quite onerous requirements and the retrospectivity is not ameliorated by the fact that it is relieving companies of an existing requirement or clarifying an issue of application/interpretation of an existing requirement. We strongly believe that issuing IFRSs with retrospective effect creates an unwelcome precedent.

The G100 is also concerned that under Australian requirements the Australian Accounting Standards Board (AASB) cannot issue an IFRS equivalent Accounting Standard (which is a legislative instrument) with retrospective application. A consequence is that Australian companies with reporting periods ending before the resulting IFRS amendments are issued by the IASB and adopted by the AASB (thereby incorporated into Australia law) are at risk of not being fully IFRS compliant in respect of these disclosures. For example, this may impair the ability of Australian companies achieving compliance with IFRSs as published by the IASB and have potentially negative impacts on the cost of debt raised in international markets.

- Q1.** *The ED proposes in para 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 and (ii) accounted for at amortised cost.*

Do you agree with that proposal? If not, why? What would you propose instead and why?

The G100 does not support the proposals. While the G100 considers that the disaggregation of information on available for sale securities may improve the transparency of the amounts recognized in the income statement we do not believe that reporting information on a 'what if basis' at such short notice is justified. Such an approach introduces another dimension to financial reporting which warrants more extensive debate.

Accordingly, the G100 does not support the requirement to model pro forma profit or loss assuming that all debt securities are measured at fair value through profit or loss. The fact that different entities classify the same or similar instruments differently reflects the decisions of management to the purpose of holding such instruments. It is the purpose of holding the instrument which is the relevant factor for reporting information about the entity to shareholders. Accounting Standards should not seek to 'second guess' the decisions made by management in compliance with the requirements of an Accounting Standard.

- Q2** *The ED 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. The G100 believes that the proposed disclosures are unlikely to provide relevant and useful information to users of financial statements. It is not clear from the proposals why mandating additional disclosure and requiring a further reconciliation is necessary. In this area preparers should retain the discretion to make the disclosures they feel are appropriate and relevant to the decisions of shareholders and other users.

- Q3** *The ED proposes in para 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 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. The G100 believes that ongoing compliance with this proposed requirement will be onerous and raise significant practical difficulties in application and implementation. The generation of information, particularly measuring fair value movements through the period on amortised cost debt instruments such as loans and advances, would be unduly onerous as it would effectively require operating parallel systems to capture each measurement alternative.

Q4 *The ED 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. The G100 acknowledges that there is a case, on cost-benefit grounds, to exclude debt invests as at fair value through profit or loss from the scope of the proposal.

Q5 *Do you agree with the proposed effective date? If not, why? What would you propose instead, and why?*

No. The G100 does not believe that the urgency with which this project is being dealt with is justified. The nature of the proposed disclosures is such that a more considered analysis of the impacts and usefulness of the proposed disclosures are required.

The G100 is particularly concerned about the proposed retrospective application of the requirements and believes that if the IASB proceeds with the proposals the effective date should be for a period commencing after the approval of the amendments. A later effective date would not preclude early adoption if companies consider the information necessary to keep shareholders informed.

Q6 *Are the transition requirements appropriate? If not, why? What would you propose instead, and why?*

Yes. The G100 agrees that requiring comparative information would be onerous and require companies to incur significant costs with little benefit.

Yours sincerely



Tony Reeves
National President