



The Irish Association of Corporate Treasurers

CL 85

1 Fitzwilliam Street Upper,
Dublin 2.
Telephone: 01-676 9411
Facsimile: 01-676 9415
Email: iact@indigo.ie
Web: www.irishact.ie

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Sir David Tweedie
International Accounting Standards Board
30 Cannon Street. London EC4M 6XH
United Kingdom

Exposure Draft on Fair Value Hedge Accounting for a Portfolio Hedge of Interest Rate Risk

Dear Sir

The Irish Association of Corporate Treasurers (*IACT*), a not-for-profit organisation having charitable status, is the representative body for corporate treasurers in Ireland. It currently has in excess of 300 members, including practising treasurers from major Irish public companies, multinationals and commercial state entities, as well as a significant number of smaller and medium sized companies.

The IAS Board published its latest Exposure Draft of proposed amendments to IAS 39 on 21 August 2003. We understand that the purpose of this amendment is to enable companies and, in particular, banks to obtain hedge accounting for some macro hedge-type strategies involving interest rate risk.

We also understand that the proposed changes result from discussions between the IASB and the banking community and are considered necessary to deal with some of the concerns raised. However, we note that these changes are relevant to a very small minority of our members, only, as corporates do not generally employ the same interest rate hedging strategies as banks. We do not question the banking community's need for these changes, although we note that these changes are not consistent with the objective of international convergence of accounting standards, since they create new differences between IFRS and US GAAP. This is a real concern given that both standard setters and the European Union have defined convergence as a major goal.

We are surprised and disappointed to note that the changes proposed have not dealt with the following two issues which, in our view, are of critical importance to corporates.

1. Treasury Centre Netting for foreign exchange hedging transactions (paragraph 134 of the current draft of IAS 39 and ICC item 134-1-b)

We, through the EACT, strongly suggested that this area be clarified in the standards themselves and that a limited exception to paragraph 134 (126B in the Exposure Draft) should be allowed for foreign currency hedging via a treasury centre, consistent

with the principle in US GAAP (FAS 133) and with the objective behind IGC interpretation 134-1-b. Failure to make this change to the standards will lead to significant additional costs, both operational and financial, being incurred by many companies. It will leave companies reporting under IAS, notably in Europe, at a significant disadvantage compared to their US GAAP-reporting competitors.

2. Availability under IAS of the short cut method for hedges involving interest rate swaps

Again, we, through the EACT, strongly support allowing the US GAAP approach in this area, since this would both significantly ease implementation burden for simple hedging strategies and would achieve convergence with the FAS 133 approach.

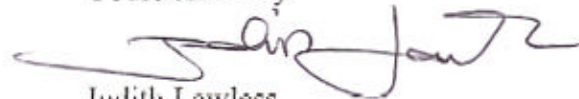
We have, through the auspices of the Euro-Associations of Corporate Treasurers (the *EACT*) previously requested that these issues be dealt with. It appears, however, that the Board may not have given these issues appropriate consideration, given their importance and merit. These issues are of critical importance if our members are to ensure that their treasury management activities can continue in a sound manner. We would also like to emphasise that the changes requested meet the objective of convergence with US GAAP.

We strongly recommend that the Board deals with these two issues and amends the standard accordingly. The IACT believes that, without these two amendments, standards IAS 32 and 39 are not acceptable.

The TACT would like to thank the IAS Board for its diligence and for your attention to this request. We hope that our comments will be of value in helping the IAS Board improve the quality of standards in the area of hedge accounting.

Whereas communications in this regard on behalf of the IACT will generally be made through the EACT, please feel free to contact us directly.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Judith Lawless', written over a horizontal line.

Judith Lawless
President