



Sir David TWEEDIE
Chairman
International Accounting Standards Board
30, Cannon Street
UK – LONDON EC4M 6XH

Brussels, 8 November 2002

Exposure draft of proposed amendments to international accounting standards 32 and 39 on financial instruments

Dear Mr Chairman,

Globalisation of accounting standards is essential to achieve transparency among competing institutions which are internationally active. The banks subscribing to this letter – which are members of the Committee on Global Banking Issues that meets regularly under the aegis of the European Banking Federation - fully support the efforts of the IASB to

harmonise accounting standards. Against this background, we recognise in particular the paramount importance of a sound International Accounting Standard on financial instruments.

We have, however, significant concerns about International Accounting Standards 32 and 39. The International Accounting Standards Board has been made aware on several occasions that the banking industry considers that the restrictive rules on hedge accounting and the prohibition on internal contracts place detailed and unnecessary barriers on enterprise-wide risk management and would disrupt Asset and Liability Management. We believe that insufficient attempt has been made to understand the rationale behind the way in which retail and universal banks manage their risks and that, as a result, IAS 39 lacks cohesive logic.

The Exposure Draft of proposed amendments to IAS 32 and IAS 39 which was recently published introduces many significant changes but does not address the key issues raised with the IASB on several occasions. The Exposure Draft further compounds matters by proposing, without previous consultation, a new approach to loan valuation and credit risk provisioning which differs substantially from current international standards and US GAAP. We do not believe that changes of this magnitude should be made known publicly in an exposure draft before in-depth discussion among the parties concerned has taken place and believe that inclusion of such substantial changes to IAS 32 and IAS 39 raises doubts on whether a due consultative process has been followed in respect of this Exposure Draft.

IAS 32 includes offset rules that are incompatible with European legal requirements, national standards and banking practice and stipulates disclosures that are duplicative, excessively detailed and in some cases irrelevant to the management of the business.

In reviewing IAS 32 and IAS 39, it needs to be borne in mind that the purpose of accounting is to give market participants a true and fair view about the economic activity and financial position of an entity. Its function is not to change the way in which an entity is managed. IAS 39, however, will prove intrusive and the rules on hedge accounting and internal contracts in particular will produce economically inaccurate information in the financial statements.

Moreover, IAS 39 would dramatically increase the volatility of the financial markets and of the whole world economy, at a time when the highest political authorities have decided to find ways leading to an improved stability.

Finally, we believe that at the time improvements to IAS 39 will have been made, the corresponding US GAAP must not differ from IAS 39 or, alternatively, that US authorities must allow EU companies with listings on American markets to use IAS in the US. This will avoid that such companies will have to comply with two different sets of accounting rules.

Clearly, the criticism and suggestions voiced by the banking industry have not been addressed by the IASB so far. Worse, due process with regard to the existing IAS 39 was not provided and this is not fair. This has also been the view of the Basel Committee on Banking Supervision. We are, however, heartened by the knowledge that a dialogue has now commenced between the IASB staff and banking industry representatives and hope that the Board will act upon any recommendations that this dialogue may generate.

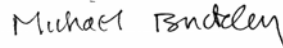
For all these reasons, the undersigned CEO's of major European banks respectfully request IASB to reconsider these standards accordingly. In doing so, they would like to support a similar letter which was forwarded to you by the President of the European Banking Federation recently. The banking industry stands ready to provide its input into the necessary review process.

Please note that, for correspondence purposes, the undersigning banks can be reached at the address of the European Banking Federation (rue Montoyer 10, B-1000 Brussels).

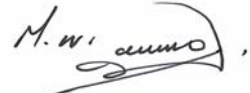
Yours sincerely,



Mr. Rijkman GROENINK
Chairman of the Managing Board
ABN AMRO Bank N.V.



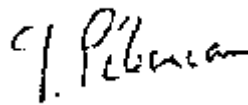
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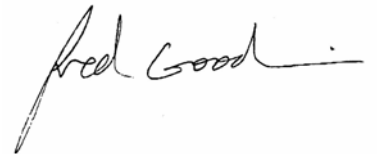
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