FORTIS

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ED 7 Financial Instruments : disclosures

Following to your invitation to comment on the above Exposure Draft, Fortis has carefully examined the proposed exposure draft 7 Financial Instruments : disclosures.

Our comments are included below.

Question 1 - Disclosures relating to the significance of financial instruments to financial position and performance

We agree that all disclosures about financial instruments should be located in one Standard.

We also agree with the required disclosures.

Question 2 - Disclosure of the fair value of collateral and other credit enhancements

No further remarks.

Question 3 – Disclosure of a sensitivity analysis

Although we agree with the principle of publishing a sensitivity analysis, we believe that more time should be given to provide such information on a consolidated basis, as for a large international group this will require huge IT developments.

Question 4 - Capital disclosures

We don't believe it would be appropriate to publish information on temporary non-compliance with external requirements as it could be misinterpreted by the readers and cause injustified panic reactions (for instance in the banking sector). This is a matter that should only be discussed with the regulators. Disclosing information about compliance with internal requirements should not be mandatory.

Question 5 – Effective date and transition

We agree to have the effective date of ED7 set at the same time as the Pillar III disclosures under Basel 2, except for the sensitivity analysis (see question 3).

Question 6 – Location of disclosures of risks arising from financial instruments

We believe that this should be disclosed out of the financial statements, for instance in an MD&A section. It should also be noted that ED7 contains non-auditable information, like internal objectives, policies and processes.

Question 7 – Consequential amendments to IFRS 4

IFRS 4 should not be amended for the moment waiting the outcome of the phase 2 round and the work on Solvency 2.

Question 8 – Implementation guidance

We do not believe that the Implementation Guidance is sufficient for financial institutions ; it would be helpful to provide clarity on the manner in which sensitivity analyses should be calculated. For example, is "profit and loss" the profit and loss for the period being reported or forecasts or future period(s), which are not released into public domain ? Is the "reasonably possible change" a shock whereby risk variables are assumed to return to their previous level or do they continue on into the future (and become the company's best estimate) ? The answers to these detailed questions, among others, can dramatically change the results of the sensitivity analyses, especially when considering the impacts of investment and intangible asset impairment and liability adequacy. We believe it would be irresponsible to leave such issues up to each company to decide. Until these issues are solved, we recommend that the draft IFRS not require sensitivity analyses.

Question 9 – Differences with USGAAP

No remarks.

Question 10 – Other comments

None.