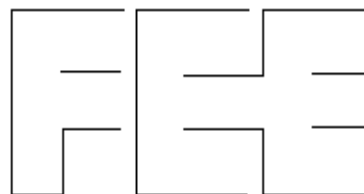


Date
8 November 2004

Le Président

Fédération
des Experts
Comptables
Européens
AISBL

Rue de la Loi 83
1040 Bruxelles
Tél. 32 (0) 2 285 40 85
Fax: 32 (0) 2 231 11 12
E-mail: secretariat@fee.be



Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street, 1st floor
GB – LONDON EC4M 6XH

Email: commentletters@iasb.org.uk

Dear Sir David,

Re: IASB Exposure Draft of Proposed Amendments to IAS 39 Cash Flow Hedge Accounting of Forecast Intragroup Transactions

FEE (Fédération des Experts Comptables Européens – European Federation of Accountants) is pleased to submit its comments on the IASB Exposure Draft of Proposed Amendments to IAS 39 on Cash Flow Hedge Accounting of Forecast Intragroup Transactions.

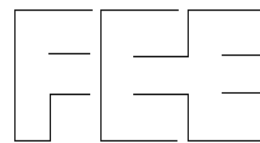
FEE as a founding organisation of EFRAG has also contributed to the EFRAG consultation process by submitting our views on their preliminary comments. This response should be read in conjunction with the response submitted by EFRAG. This explains the late submission of our letter. Where we are in agreement with the EFRAG comments we refer to their comments, where we are in disagreement our own views are put forward.

Although we appreciate the clarification given by the Board in respect of the application of hedge accounting to intragroup transactions, the proposed route is in our view complicated and not consistent with IAS 21. This standard makes it clear that a group at consolidation level does not have a functional currency but only have a presentation currency. A group's presentation currency cannot give rise to a foreign exchange exposure of a subsidiary.

The above comments raise the question whether hedging intragroup transactions is possible at all. Our concern is that the proposed solution will permit hedging of the accounting differences of a forecast external transaction denominated in the functional currency of the entity entering into the transaction, but not in the group's presentation currency. The group will be able to hedge accounting exposures arising from its choice of presentation currency. However, an economic exposure only exists if a forecast transaction is denominated in a currency other than the functional currency of the entity entering into the transaction. Therefore, we do not support the proposals.

In our opinion, the solution as included in the deleted implementation guidance IGC 137-13 should be re-instated as it is a more pragmatic one. Both solutions are exceptions to general principles: the proposed solution is an exception to the rule that a group has no functional currency; the IGC 137-13 solution is an exception to the rule that a forecast intragroup transaction cannot be designated for hedge accounting. The latter solution more directly addresses the issue at hand and is therefore in our view easier to understand and apply.

In conclusion, we do not favour the direction of the clarification given by the Board.



We would be pleased to discuss with you any aspect of this letter, which you may wish to raise with us.

Yours sincerely,

David Devlin
President