



European Financial Services
Round Table

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

Per e-mail

Brussels, 15 January 2009

Dear Sir David,

EFR's comment to IASB's Exposure Draft "Investments in Debt Instruments"

The European Financial Services Round Table (EFR) would like to take the opportunity to comment on the IASB proposals contained in the Exposure Draft (ED) *"Investments in Debt Instruments"*.

As previously indicated, the EFR believes that the current impairment rules for available-for-sale items may overstate losses and are inconsistent with those applied for debt instruments measured at amortised cost. Recently, we have expressed our full support for the European Commission's call to amend these rules, and we are disappointed that the IASB has not answered this call, but has instead focussed on additional disclosures.

The disclosures as they are currently proposed do not address the impairment issue in an appropriate manner, but rather seem to constitute a step towards full fair value accounting. As expressed in earlier comments, the EFR does not support full fair value accounting for all financial instruments. Moreover, the proposed additional disclosures should not be employed in an attempt to fix deficiencies in the accounting measurement model. Accordingly, we feel that it is necessary to address the inconsistencies in measurement first by developing a cohesive approach to dealing with impairment for all financial assets. We believe that this objective should be addressed urgently by the IASB and FASB rather than requiring these additional disclosures.

Even as a disclosure, we believe that any pro forma profit based on the fair value as an alternative measurement to the amortised cost would be irrelevant for assets not managed on a fair value basis and so would be misleading to users who would have to "choose and pick" between two sets of figures not comparable. Moreover, such a pro forma profit not taking into consideration impacts of the fair value measurement of assets on linked elements would not at all reflect an accurate picture of what could be if assets were managed on a fair value basis: e.g. in insurance fair value impacts should be considered on measurement of insurance assets and liabilities when insurers apply the shadow accounting complying with IFRS 4.

Finally, we do understand that in unusual circumstances standard setters and regulators may need to react quickly requiring the respective procedure. However, we think that a fast track approach should only be applied in rare circumstances and where extremely important. We do not believe that the proposed amendment falls into this category. Had we been supportive of the amendment itself –which we are not- we would not have supported the proposed effective date.

The EFR believes that the Board should not adopt the proposed amendments. Instead, the Board should focus on the issues as identified by the EU and discussed at the IASB December Roundtable, as these are both more important and supported by a wide range of constituents.

On behalf of Mr Tilmant, EFR Chairman,

Sebastian Fairhurst
- Secretary -

The Members of the **European Financial Services Round Table (EFR)** are Chairmen or Chief Executives of leading European banks and insurance companies. The EFR believes in the creation of open and competitive markets for financial services both within Europe and in a global context. We want to ensure that Europe is a highly attractive environment for financial services companies to base themselves.

Chairman of the EFR is Michel Tilmant, Chairman of the Executive Board, ING Group.