Foreningen af Statsautoriserede Revisorer
Kronprinsessegade 8, 1306 København K. Telefon 33 93 91 91
Telefax nr. 33 11 09 13 e-mail: fsr@fsr.dk Internet: www.fsr.dk

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Ms Sandra Thomson, Senior Project Manager
International Accounting Standards Board
30 Canon Street
London EC4M 6XH
England

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Dear Ms Sandra Thomson

Proposed amendments to IAS 39 – "macro hedging" –Comments from FSR, Denmark

The Danish Accounting Standards Committee welcomes the opportunity to provide comments to the proposed amendments to IAS 39 regarding fair value hedge accounting for a portfolio hedge of interest rate risk.

Our comments have been discussed with the Danish Accounting Advisory Panel which consists of Danish business organizations etc. representing users and preparers of financial statements.

Generally, we welcome the initiative to improve the possibility of applying hedge accounting for economic hedging of interest rate risk on a portfolio basis.

Question 1

We concur with the proposal not to permit the methods for measuring ineffectiveness referred to as A, B and C. However, we do not believe that the proposed method for measuring ineffectiveness, method D, reflects the true economic ineffectiveness.

For example, if the net position being hedged is a liability, a change in the asset exposure, included in the net position being hedged, would not result in ineffectiveness according to the proposal. In economic terms a change in the asset exposure, which is included in the economic hedge, would result in ineffectiveness. On the other hand, a change in the gross exposures without any changes in the net exposure would result in ineffectiveness according to the proposal, whereas in economic terms the hedge would be perfectly effective.

In practice in economic terms, we believe that the hedged risk is the net exposure. We are aware that designation of a net exposure as the hedged item is against the general principles in IAS 39. However, we believe that the advantages of measuring ineffectiveness based on a net exposure exceed the disadvantages. In our opinion, compared with the proposed method for measuring ineffectiveness, there are no other material disadvantages or possibilities of abuse. This provides that a requirement is retained to specify the assets and liabilities included in the net position in order to distinguish between changes in the hedged portfolio and other assets and liabilities.

Question 2

We believe that arguments exist for and against allowing financial liabilities that the counterparty can redeem on demand to be hedged based on expected maturity.

Since it is proposed to allow receivables to be hedged based on expected maturity, we believe that it should be allowed, similarly, to hedge financial liabilities that the counterparty can redeem on demand based on expected maturity. Consequently, we do not concur with the proposal on this matter.

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If you have questions to the above, please do not hesitate to contact us.

Yours sincerely

Eskild Nørregaard Jakobsen Chairman of FSRs Accounting Standards Committee	Ole Steen Jørgensen Head of Department