Trieste, 17/01/2003

Professor Sir David Tweedie
Chairman Supervisory Board
International Accounting Standards Board
30 Cannon Street, London EC4M 6XH
United Kingdom
Fax: 0044 (0)20 7246 6411
Ph: 0044 (0)20 7246 6410
e-mail: CommentLetters@iasb.org.uk

RE: Proposed amendments to IAS 39 on Financial Instruments

Relating the IASB announces of public rundtables to discuss improvements to financial instruments standards, I would like to request to partecipate to the discussion attending the "Impairment and uncollectability of financial asset" topic.
I would submitt this comment letter on this specific IAS 39 issue to contribute the improvements of the existing requirements of the principle.

IMPAIRMENT OF FINANCIAL INVESTMENTS

Firstly, I think the impairment definition in the current IAS 39.109 ("A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.") is very clear and useful to understand the impairment test; therefore it should not be deleted in the new IAS 39.

According with the definition, the objective evidence of impairment should be a refutable presuntion because the entity might be able to demonstrate to recover the current write down in a defined period by a specific documentation. Every attempt to introduce a mechanical approach in the impairment evalutation might be misleading. For this reason, the procedure stated in IAS 39.117 and 118 does not rappresent the economic substance of the evaluation. For example, in the case of an equity security it is necessary to adeguate the acquisition cost to the current fair value and all the cumulative loss has to reported in net profit or loss. In other words, all the difference is recognise as an impairment even though only a part would be a real impairment according with the above definition. Thus it should be allowed the same tratement stated for the debt securities which is to report in the profit and loss only the difference between the acquisition cost and the recoverable amount, objectively defined.

Regarding the "Question 7" of the proposed amendments of IAS 39, I believe the impairment losses for financial investments classified as available for sale should be reversed in the profit and loss account as stated in the current IAS 39.119. This approach is consistent with the other current IAS (IAS 2, 8, 16, 36) even though it is difficult to demonstrate that "the increase can be objectively related to an event occurring after the loss was recognised in net profit or loss". To reduce the subjectively it might be increase the disclousure of these write ups. In addition, the impossibility to reverse a past impairment might create an incongruent economic situation between the infrannual report (when the impariment is report in profit and loss) and the annual report (if the investments has recovered its value but it is not possible to reverse it to the profit and loss).

MASSIMO ROMANO
Chartered accountant
ITALY
Massimo_Romano@Generali.com