Memo

To: International Accounting Standards Board

From: Accounting Standards Board – Canada, Staff

Date: September 30, 2004

Re: **Cash Flow Hedge Accounting of Forecast Intragroup Transactions**

The following comprises the response of Accounting Standards Board – Canada staff (AcSB staff) to the IASB's Exposure Draft on Cash Flow Hedge Accounting of Forecast Intragroup Transactions (proposed amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 4 Insurance Contracts), dated July 2004.

RESPONSES TO QUESTIONS IN INVITATION TO COMMENT

We agree with proposals in the exposure draft to introduce a clarification in the Application Guidance of IAS 39 that in consolidated financial statements a group can designate as the hedged item, in a foreign currency cash flow hedge, a highly probable forecast transaction denominated in the functional currency of the entity entering into the transaction, provided that the transaction gives rise to an exposure that will have an effect on consolidated profit or loss (i.e., is denominated in a currency other than the group's presentation currency). We also agree that the clarification should be effective for annual periods beginning on or after 1 January 2006, with earlier application permitted.

We agree that the proposals appropriately address the concerns set out in paragraph 3 of the Exposure Draft, in particular reducing a difference from US GAAP, as well as corresponding proposals in the Canadian Re-Exposure Draft, Hedges, which harmonize with US GAAP on this subject.

We would be pleased to elaborate on these points in more detail if you require. If so, please contact Peter Martin, Director Accounting Standards at +1 416 204-3276 (e-mail peter.martin@cica.ca), or Ian Hague, Principal Accounting Standards at +1 416 204-3270 (e-mail ian.hague@cica.ca).