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Dear Sir David

ED amendments to IAS 39, Transition and Initial Recognition of Financial Assets and Financial Liabilities

We appreciate the opportunity to comment on the Exposure Draft of proposed amendments to IAS 39 Financial Instruments: Recognition and Measurement, Transition and Initial Recognition of Financial Assets and Financial Liabilities.

Question 1

Do you agree with the proposals in this Exposure Draft? If not, why not? What changes do you propose and why?

GASB's comment:

We generally agree with the proposed amendment on the "day one profit recognition", since the option to apply the 'day one profit recognition' requirements prospectively from 25 October 2002 facilitates the implementation of the transitional requirements. Moreover, converging with EITF 02-03, the amendment enables entities to eliminate the reconciliation differences with US GAAP.

However, we would like to suggest two changes:

- We acknowledge that the date 25 October 2002 was adopted from US GAAP, which assures full convergence on this issue. Nevertheless, in our view it might be more appropriate to apply the amendment from any date

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prior to 1 January 2005 rather than the date of publishing EITF 02-03, since the effective date of IAS 39 for the first time adoption is 1 January 2005. In the case of an earlier application, all transactions should be applied prospectively as from that date.

- We would prefer the amendment being included within the main body of the standard rather than within the application guidance.

Question 2

Do the proposals contained in this Exposure Draft appropriately address the concerns set out in paragraph 5 of the Background on this Exposure Draft? If not, why not and how would you address those concerns?

GASB's comment:

We refer to our answer to question 1, particularly regarding the proposed date of prospective application.

Question 3 – Other comments

Do you have any other comments on the proposals?

GASB's comment:

No.

If you would like any clarification of these comments, please contact me.

Yours sincerely,

Prof. Dr. Klaus Pohle
President