

12 October 2004

CL 35

Sandra Thompson
The International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sandra

RE: IASB Exposure Draft of Proposed Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* – Transition and Initial Recognition of Financial Assets and Financial Liabilities

The Financial Reporting Standards Board (FRSB) of the Institute of Chartered Accountants of New Zealand (ICANZ) is pleased to submit its comments on the IASB Exposure Draft of Proposed Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* – Transition and Initial Recognition of Financial Assets and Financial Liabilities (IASB ED). The FRSB sought the views of New Zealand (NZ) constituents on the IASB ED and received a positive submission from a large corporate which has been passed on to you earlier. We note that the submitter is required to prepare its financial statements under US GAAP and thus, may explain the submission's positive response.

The FRSB's responses to the questions to the IASB's Invitation to Comment are set out on the next page. The FRSB does not agree with the proposals in the IASB ED.

If you have any queries, or require clarification of any matters in this submission, please contact Joanna Yeoh (Joanna.yeoh@icanz.co.nz) in the first instance, or me.

Yours sincerely



Joanna Perry
Chair – Financial Reporting Standards Board

Question 1

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

The FRSB does not agree with the proposals in this IASB Exposure Draft as it is concerned that this proposal will be onerous for entities adopting New Zealand equivalents to IFRSs. We note that the proposals in the Exposure Draft are an improvement to IAS 39 (2003); however, it will still be difficult for some entities to identify, for each financial instrument, 'day 1' gains or losses as far back as 25 October 2002 (three years). The FRSB propose instead that any amendment should apply prospectively to transactions from 1 January 2006 where an entity may be able to elect to early adopt the revised IAS 39.

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 these concerns?

The FRSB agrees that the proposals contained in this Exposure Draft do address the concerns set out in paragraph 5(b) but not of that in paragraph 5(a). The FRSB agrees that the proposals does in some way address the concerns in paragraph 5(a) but in making the proposals applicable only to transactions entered into after 25 October 2002 it fails to address it completely. The FRSB propose instead that any amendment should apply to transactions from 1 January 2006 where an entity may be able to elect to early adopt the revised IAS 39.

Question 3

Do you have any other comments on the proposals?

The FRSB has no further comments.