

July 16, 2004

Sandra Thompson
Senior Project Manager
International Accounting Standards Board
30 Cannon Street
LONDON
EC4M6 XH

United Kingdom

Dear Ms Thompson,

AMENDMENTS TO IAS 39, THE FAIR VALUE OPTION

Industrie-Holding welcomes the opportunity to offer its comments on the above draft. They have been developed in collaboration with our member companies.

We perceive several aspects of the proposals as being sub-optimal.

- It is not immediately apparent that they achieve the objectives shown in BC 9.
- Although we have been unable to identify among our own member companies (industrial and commercial) any transactions for which planned fair value treatment would be frustrated by the proposals, we believe it likely that certain financial institutions would no longer be able to achieve meaningful hedge accounting for real economic hedges in some cases, e.g. with some natural hedges.
- The need to introduce many detailed rules to prevent potential abuses feared by the regulators would take us away from a principles-based standard and from a more practicable hedge-accounting approach. In this context it is also not clear why the standard should be used as a tool for financial regulation. IAS 39 should address financial reporting issues and meet the needs of a broad range of users: if regulators need different information for regulatory purposes they can determine appropriate regulations within their individual jurisdictions.
- The introduction of a „verifiability“ criterion seems to us confusing, undesirable and unnecessary. The interrelationship with „reliability“ is far from clear, and the notion appears to introduce two different levels of reliability characteristic depending on the transaction involved, which is likely to lead to inconsistent and incoherent treatment of basically similar transactions.

Considering these issues, we believe that it would be preferable to leave the fair value option as originally foreseen but to require consistent application and disclosure of the situations in which it is applied, with explanations and justifications.

Yours sincerely

**Federation of Swiss Industrial
Holding Companies**



Dr. Arnold Knechtle
Director



Jan Atteslander

cc - IH Committee
 - IH Expert Group Accounting and Reporting