# Amendments to IAS 39 – Recognition and Measurement

**Question 1**

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

**In general, we agree with the proposal, except for that allowing the fair value option to a financial asset or liability that contains an embedded derivative. See response to question 4.**

**Question 2**

*Are you aware of any financial instruments to which entities are applying, or are intending to apply, the fair value option that would not be eligible for the option if it were revised as set out in this Exposure Draft? If so:*

(a) *please give details of the instrument(s) and why it (they) would not be eligible.*
(b) *is the fair value of the instrument(s) verifiable (see paragraph 48B) and if not, why not?*
(c) *how would applying the fair value option to the instrument(s) simplify the practical application of IAS 39?*

**NO, we are not**

**Question 3**

*Do the proposals contained in this Exposure Draft appropriately limit the use of the fair value option so as to address adequately the concerns set out in paragraph BC9? If not, how would you further limit the use of the option and why?*

**In our opinion, they do.**

**Question 4**

*Paragraph 9(b)(i) proposes that the fair value option could be used for a financial asset or financial liability that contains one or more embedded derivatives, whether or not paragraph 11 of IAS 39 requires the embedded derivative to be separated. The Board proposes this category for the reasons set out in paragraphs BC6(a) and BC16-BC18 of the Basis for Conclusions on this Exposure Draft. However, the Board recognises that a substantial number of financial assets and financial liabilities contain embedded derivatives and, accordingly, a substantial number of financial assets and financial liabilities would qualify for the fair value option under this proposal.*

*Is the proposal in paragraph 9(b)(i) appropriate? If not, should this category be limited to a financial asset or financial liability containing one or more embedded derivatives that paragraph 11 of IAS 39 requires to be separated?*

**We are of the opinion, the proposal is not appropriate.**

**As already discussed in Question No. 4, there is a substantial number of financial assets and liabilities containing embedded derivatives. The adoption of the proposed wording for Paragraph 9(b)(i) would allow an entity to measure at fair value a financial instrument, the "host contract", that otherwise would not be allowed to be measured at fair value (for example, because it does not meet any of the 5 categories of the proposed paragraph 9(b)).**

**As also discussed in the Invitation to Comment, because contracts with embedded derivatives are usually complex financial instruments, in most cases it would be very difficult to meet the "verifiability" requirement.**

**This category should be limited to a financial asset or financial liability containing one or more embedded derivatives that paragraph 11 of IAS 39 requires to be separated, provided that the host contract is a financial instrument that meets the categories in points (ii) to (v) of the proposed paragraph 9(b).**

**Question 5**

*Paragraph 103A proposes that an entity that adopts early the December 2003 version of IAS 39 may change the financial assets and financial liabilities designated as at fair value through profit or loss from the beginning of the first period for which it adopts the amendments in this Exposure Draft. It also proposes that in the case of a financial asset or financial liability that was previously designated as at fair value through profit or loss but is no longer so designated:*

*(a) if the financial asset or financial liability is subsequently measured at cost or amortised cost, its fair value at the beginning of the period for which it ceases to be designated as at fair value through profit or loss is deemed to be its cost or amortised cost.*

*(b) if the financial asset is subsequently classified as available for sale, any amounts previously recognised in profit or loss shall not be reclassified into the separate component of equity in which gains and losses on available-for-sale assets are recognised.*

*However, in the case of a financial asset or financial liability that was not previously designated as at fair value through profit or loss, the entity shall restate the financial asset or financial liability using the new designation in the comparative financial statements.*

*Finally, this paragraph proposes that the entity shall disclose:*

*(a) for financial assets and financial liabilities newly designated as at fair value through profit or loss, their fair value and the classification and carrying amount in the previous financial statements.*

*(b) for financial assets and financial liabilities no longer designated as at fair value through profit or loss, their fair value and the classification and carrying amount in the current financial statements.*

*Are these proposed transitional requirements appropriate?*

**YES**

If not, what changes do you propose and why?

*Specifically, should all changes to the measurement basis of a financial asset or financial liability that result from adopting the amendments proposed in this Exposure Draft be applied retrospectively by restating the comparative financial statements?*

**NO. We believe it is s reasonable to require the restatement of financial statements "only" in the case of a financial asset or liability newly designated as at fair value through profit or loss.**

**Question 6**

*Do you have any other comments on the proposals?*

**NO, we don't.**