



Organización Internacional de Comisiones de Valores
International Organisation of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valore

March 6, 2009

Post-implementation Revisions to IFRIC Interpretations
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

RE: Exposure Draft – Proposed Amendments to IFRIC 9 and IFRIC 16

Dear IASB Members:

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting (Standing Committee No. 1) thanks you for the opportunity to provide our comments regarding the amendments to the International Accounting Standards Board's Post-implementation Revisions to IFRIC Interpretations: Proposed amendments to IFRIC 9 and IFRIC 16.

IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of Standing Committee No. 1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect a general consensus among the members of Standing Committee No. 1 and are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

General Observation: Standing Committee No. 1 is generally supportive of the proposed amendments to and related transition provisions for IFRIC 9 and IFRIC 16. We do, however, believe additional clarification would improve financial statement preparers' application of the proposed changes to such interpretations. Our suggestions for each proposed amendment are included below.

Observations regarding IFRIC 9:

Question 1 – Amendment arising from IFRS 3 (as revised in 2008) – The Board proposes to amend paragraph 5 of IFRIC 9 to exclude from its scope embedded derivatives in contracts acquired in combinations of entities or businesses entities under common control and in the formation of joint ventures. Do you agree with the proposal? If not, why?

Standing Committee No. 1 is generally supportive of the proposed amendment to IFRIC 9. However, we recommend that the Board clarify that acquisition of an investment in an associate, in and of itself,

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does not trigger assessment of whether an embedded derivative should be bifurcated from a host contract.

We believe that as currently written, the proposed amendment may cause confusion in practice. Specifically, paragraph 20 of IAS 28, *Investments in Associates*, states that the concepts underlying the accounting for the acquisition of a subsidiary should also apply to the accounting for the acquisition of an associate. It is unclear whether the underlying concepts referred to in IAS 28 include the requirement in paragraph 16c of IFRS 3R, *Business Combinations*, regarding the assessment of embedded derivatives at the acquisition date of a subsidiary; as such, some may conclude that acquisition of an associate also requires such an assessment. However, we do not believe such an assessment is appropriate upon acquisition of an associate, as an acquiring entity would not be a new party to an associate's contract with an embedded derivative and would not have control to alter such a contract. Accordingly, we believe the Board should clarify this issue in its final amendment to IFRIC 9.

Question 2 – Effective date – The proposed amendment to IFRIC 9 would be effective for annual periods beginning on or after 1 July 2009 with prospective application, and would require an entity that applies IFRS 3 (revised 2008) for an earlier period to disclose that fact and apply the amendment to IFRIC 9. Do you agree that this amendment should apply for annual periods beginning on or after 1 July 2009 with prospective application? If not, why?

Standing Committee No. 1 is supportive of the effective date of the proposed amendment to IFRIC 9.

Observations regarding IFRIC 16:

Question 1- Removal of the restriction on the entity that can hold hedging instruments – The Board proposes to amend paragraph 14 of IFRIC 16 to remove the restriction on the entity that can hold hedging instruments. Do you agree with proposal? If not, why?

Standing Committee No. 1 agrees that a parent's ability to hedge the risk associated with a foreign subsidiary should not exclude situations solely due to the circumstance where a hedged foreign subsidiary holds the related hedging instrument. However, the Committee is concerned that the Basis for Conclusions does not adequately articulate why the Board's previous conclusion on this matter is not correct. We understand that an entity cannot hedge itself; however, it appears that the profit and loss effect of holding a hedging instrument would be included in the subsidiary's profit and loss and, therefore, in the parent's profit and loss upon consolidation, unless intercompany transactions and appropriate hedge documentation are present which, upon consolidation, eliminate the hedging instrument's profit and loss impact. Conversely, if the effect of the hedging instrument is not eliminated, it appears that the hedging instrument may effectively hedge a portion of itself by being included, on a consolidated basis, in the net investment. Therefore, Standing Committee No.1 recommends that the Board provide additional clarification on how the existing principles described in IFRIC 16 may continue to be met in circumstances where the net investment being hedged also holds the hedging instrument.

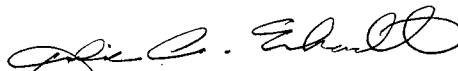
Question 2 – Effective date – IFRIC 16 is effective for annual periods beginning on or after 1 October 1 2008 with prospective application. The Board concluded that this amendment should apply in the same way. Do you agree that this amendment should apply for annual periods beginning on or after 1 October 2008 with prospective application? If not, why?

Upon adoption of this interpretation, it is not clear how a company that otherwise believed it could not hedge a net investment because that net investment holds its own hedging instrument can assert it has met all of the existing IAS 39 hedge documentation requirements. The final amendment should clarify the Board's view on how to apply IAS 39's existing hedge documentation requirements to situations where a company elects to adopt the provisions of this amendment as of 1 October 2008.

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We appreciate your thoughtful consideration of the comments raised in this letter. If you have any questions or need additional information on the recommendations and comments that we have provided, please do not hesitate to contact me at 202-551-5300.

Sincerely,

A handwritten signature in cursive script, appearing to read "Julie A. Erhardt".

Julie A. Erhardt
Chairman
IOSCO Standing Committee No. 1