

International Accounting Standards Board  
30 Cannon Street  
London, EC4M 6XH

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Submitted electronically through the IASB Internet site ([www.iasb.org](http://www.iasb.org))

**Exposure Draft of Proposed Amendments to IAS 39 Financial Instruments:  
Recognition and Measurement Exposures Qualifying for Hedge Accounting**

Grant Thornton International is pleased to comment on the International Accounting Standards Board's (the Board) Exposure Draft of Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) *Exposures Qualifying for Hedge Accounting* (the Exposure Draft).

We support most of the proposals in the Exposure Draft. As the Board acknowledges, these proposals are rules-based. We generally prefer standards to take a principles-based approach. However, IAS 39's requirements on hedge accounting are of course an exception to the basic requirements on accounting for financial instruments and hedge accounting is also optional. We consider that it is important even (and perhaps especially) in a principle-based system that exceptions and options are clearly demarcated. We believe that these proposals will improve the clarity and understandability of IAS 39's requirements on hedge accounting and support them on that basis.

Our responses to the questions in the Exposure Draft's Invitation to Comment are set out below.

**Question 1 – Specifying the qualifying risks**

**The proposed amendments restrict the risks qualifying for designation as hedged risks to those identified in paragraph 80Y.**

**Do you agree with the proposal to restrict the risks that qualify for designation as hedged risks? If not, why? Are there any other risks that should be included in the list and why?**

We agree with the proposed approach of specifying the risks eligible for designation as hedged risks. The risks identified in paragraph 80Y appear to be appropriate subject to the following concern with paragraph 80Y(e).

Paragraph 80Y(e) permits the designation of "the risks associated with the contractually specified cash flows of a recognised financial instrument". Paragraph 80Z(d) also permits designation (as a portion of the cash flows of an instrument) of "any contractually specified cash flows of a financial instrument that are independent of the other cash flows of that instrument". These two paragraphs seem to address slightly different points. However, this difference is subtle and the current wording seems likely to cause confusion.

The intention of paragraph 80Y(e) seems to be to permit designation (as a hedged risk) of changes in value or cash flows due to changes in a variable that is specified in the terms of the instrument and alters the cash flows of an instrument. Paragraph 80Z(d) deals with the components of the total cash flows of an instrument rather than the factors that might cause those cash flows to change. We recommend that paragraph 80Y(e) is amended to clarify its intent and relationship to paragraph 80Z(d).

**Question 2 – Specifying when an entity can designate a portion of the cash flows of a financial instrument as a hedged item**

**The proposed amendments specify when an entity can designate a portion of the cash flows of a financial instrument as a hedged item. Do you agree with the proposal to specify when an entity can designate a portion of the cash flows of a financial instrument as a hedged item? If you do not agree, why?**

**Are there any other situations in which an entity should be permitted to designate a portion of the cash flows of a financial instrument as a hedged item? If so, which situations and why?**

We agree with the proposal to specify when an entity can designate a portion of the cash flows of a financial instrument as a hedged item. We have no additional suggestions as to other situations in which portions of cash flows should be eligible for designation.

**Question 3 – Effect of the proposed amendments on existing practice**

**The aim of the proposed amendments is to clarify the Board’s original intentions regarding what can be designated as a hedged item and in that way to prevent divergence in practice from arising.**

**Would the proposed amendments result in a significant change to existing practice? If so, what would those changes be?**

We do not believe the proposals would result in a significant change to existing practice.

**Question 4 – Transition**

**The proposed changes would be required to be applied retrospectively.**

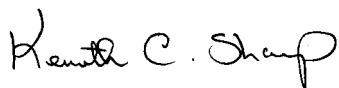
**Is the requirement to apply the proposed changes retrospectively appropriate? If not, what do you propose and why?**

We consider the proposed requirements on transition to be appropriate.

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If you have any questions on our response, or wish us to amplify our comments, please contact our Director of International Financial Reporting, Andrew Watchman (andrew.watchman@gtuk.com or telephone + 44 207 391 9510).

Yours sincerely,



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