

International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH

20 January 2009

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

Exposure Draft Embedded Derivatives - Proposed Amendments to IFRIC 9  
and IAS 39

Grant Thornton International is pleased to comment on the International Accounting Standards Board's (the Board) Exposure Draft *Embedded Derivatives - Proposed Amendments to IFRIC 9 and IAS 39* (the ED). We have considered the ED along with the accompanying draft Basis for Conclusions.

We support the Board's decision to clarify the interaction between IFRIC 9 and the recent reclassification amendments to IAS 39. We also agree that financial assets reclassified out of the fair value through profit or loss category should not escape IAS 39's requirements on embedded derivatives.

We do have certain minor comments and suggestions, included in our responses to the questions in the ED's Invitation to Comment. These are set out below.

**Question 1 - The exposure draft clarifies that an entity must assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid (combined) financial asset out of the fair value through profit or loss category.**

**Do you agree with that clarification? If not, why? What would you propose instead, and why?**

We agree.

**Question 2 - The exposure draft requires the assessment to be made on the basis of the circumstances that existed when the entity first became a party to the contract.**

**Do you agree with that proposal? If not, why? What would you propose instead, and why?**

We agree that the assessment should be made based on circumstances that existed when the entity first became party to the contract. The Board might also wish to clarify that separation, if applicable, is effected at the date of the reclassification of the instrument.

Grant Thornton International  
Regent's Place  
7th Floor  
338 Euston Road  
London NW1 3BG

Grant Thornton LLP  
175 W Jackson  
20th Floor  
Chicago, IL 60604

**Question 3 - The exposure draft proposes that if the fair value of an embedded derivative that would have to be separated cannot be reliably measured, the entire hybrid (combined) financial instrument must remain in the fair value through profit or loss category.**

**Do you agree with that proposal? If not, why? What would you propose instead, and why?**

We agree.

**Question 4 - Do you agree with the proposed effective date? If not, why? What would you propose instead, and why?**

In general we would not support amendments that take effect for financial periods ended prior to the date of publication. However, we believe that such an approach is justified in the very unusual circumstances of this proposal.

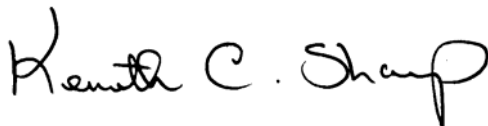
**Question 5 - Are the transition requirements appropriate? If not, why? What would you propose instead, and why?**

We agree subject to the following comment. We note that some entities have already reclassified financial assets in accordance with the October 2008 IAS 39 amendments and published quarterly results that reflect that decision. If those entities have not assessed and separated any non-closely related embedded derivatives, the proposals in the ED would require them to do so retrospectively. This may be problematic. In the circumstances, we suggest that the Board should consider whether the transition requirements should include a possibility of reversing the previous reclassification.

\*\*\*\*\*

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

Yours sincerely,



Kenneth C Sharp  
Global Leader - Assurance Services  
Grant Thornton International