



AUSTRIAN FINANCIAL REPORTING AND AUDITING COMMITTEE

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Technical Director (File Reference No. 1810-100)
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Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Madam/Sir,

on behalf of the Austrian Financial Reporting and Auditing Committee (AFRAC), the privately organised standard-setting body for financial reporting and auditing standards in Austria, I appreciate the opportunity to comment on the FASB's Exposure Draft Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities (Reference 1810-100). Principal authors of this comment letter were Friedrich Hief, Erich Kandler, Raoul Vogel and Roland Nessmann.

General remarks

We see and understand the political will and the intention of the FASB and IASB to converge IFRSs and US-GAAP in order to create a worldwide financial accounting regime. Particularly in the case of financial instruments, derivatives and hedging activities it is imperative that the current standards be revised to take account of the prevailing situation on the world's markets. More important, however, is the convergence of the relevant standards.

On the basis of the matters noted in the minutes of a meeting of the Financial Accounting Standards Advisory Council held on June 8, 2010 we have serious reservations concerning the approach discussed if different conclusions on a particular topic are reached by the two boards. The release of two separate exposure drafts on the same topic by the two boards without attempting to find consensus for a joint exposure draft or, at least, agreeing on the principles and views to be applied in our opinion is counter-productive to achieving the intended convergence of IFRS and US-GAAP.

As a matter of fact, from our point of view a mixed measurement approach complies with the needs of different users of general purpose financial reports better than a mere fair value based approach.

Particular issues

We believe that the above exposure draft cannot be considered as the basis for the further progress in the replacement of IAS 39 by IFRS 9 without exposure or re-exposure of relevant IFRSs. In particular we see the following matters being of outstanding relevance:

- The above mentioned exposure draft contains terms that have neither been used in IAS 39 nor in IFRS 9 before, e.g. core deposit liabilities, all-in-cost-to-service rate, etc. Thus their implementation has to be discussed and explained properly and with due diligence.
- Certain treatments envisaged in the exposure draft differ from present IAS 39 rules, propose rather radical changes to existing rules or go beyond existing rules, e.g. hedge accounting that appears to only require a qualitative test in future.
- The exposure draft extends the topics beyond the classical financial instruments by, for instance, including certain rules concerning the treatment of associates which in IFRS is clearly regulated in a different standard, IAS 28.

As a result we cannot see a possibility of implementing those FASB-rules into IFRS without proper discussion, explanation and taking into account consequences in other IFRSs.

Please do not hesitate to contact me if you wish to discuss any aspect of our comment letter in more detail.

Kind regards,

Romuald Bertl, Chairman