



AUSTRIAN FINANCIAL REPORTING AND AUDITING COMMITTEE

Comment Letter

Exposure Draft of Proposed Amendments to

IAS 39 Financial Instruments:

Recognition and Measurement

Exposures Qualifying for Hedge Accounting

The Austrian Financial Reporting and Auditing Committee (AFRAC) is the privately organised standard-setting body for financial reporting and auditing standards in Austria, and is supported by the competent Austrian authorities. The members of the Austrian Financial Reporting and Auditing Association, AFRAC's parent organisation, are several Austrian Federal Ministries and a number of public institutions. The members of AFRAC represent preparers of financial statements, certified accountants, academics, investors, analysts, and oversight bodies of capital markets and regulated industries.

The AFRAC Financial Instruments Working Group prepares comment letters on recent IASB publications and on publications of other standard-setting bodies pertaining to IFRS for final approval by AFRAC. Principal authors of this comment letter were Peter Bitzyk, Gerhard Feiler, Gerald Kogler, Gerhard Margetich, Christian Seiwald and Roland Nessmann. More information about the Working Group and AFRAC is available under www.afrac.at.

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1. General comments

The Austrian Financial Reporting and Auditing Committee (AFRAC) welcomes the opportunity to comment on the IASB exposure draft of proposed amendments to IAS 39: Recognition and Measurement “Exposures Qualifying for Hedge Accounting”.

The proposed amendments specify

- (a) the risks that qualify for designation as hedged risks when an entity hedges its exposures to a financial instrument, and
- (b) when an entity may designate a portion of the cash flows of a financial instrument as a hedged item.

2. Specific Comments

Q1. Specifying the qualifying risks

AFRAC agrees with the proposal to restrict risks that qualify for designation as hedged risks in the proposed paragraph 80Y of IAS 39.

Q2. Specifying when an entity can designate a portion of the cash flows of a financial instrument as a hedged item

AFRAC agrees with the proposal to specify when an entity can designate a portion of the cash flows of a financial instrument as a hedged item in the proposed paragraph 80Z of IAS 39.

Q3. *Effect of the proposed amendments on existing practice*

AFRAC is of the opinion that the clarification of the Board's original intentions regarding what can be designated as a hedged item in the proposed amendments of IAS 39 would not result in significant changes to existing practice, but may prevent divergence in practice.

Q4. *Transition*

As AFRAC is not of the opinion that the proposed amendments would result in significant changes to existing practice, AFRAC supports the idea of retrospective application.