



AUSTRIAN FINANCIAL REPORTING AND AUDITING COMMITTEE

Draft Comment Letter

**Exposure Draft of Proposed Amendments to**

**IAS 39 Financial Instruments:**

**Recognition and Measurement**

**Exposures Qualifying for Hedge Accounting**

Responses to be received by **6 December 2007**.

This **draft comment letter** is published by the Austrian Financial Reporting and Auditing Committee (AFRAC) for responses only. The draft comment letter may be modified in the light of the responses received before being issued as a comment letter and sent to the International Accounting Standards Board (IASB) and European Financial Reporting Advisory Group (EFRAG).

Respondents are asked to mail their **pdf files** to [office@afrac.at](mailto:office@afrac.at) by **6 December 2007**. All responses will be put on the public record unless the respondent requests confidentiality.

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](http://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.