24 March 2008

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

(By email: iasb@iasb.org)

Dear Sir

RESPONSE TO EXPOSURE DRAFT OF PROPOSED AMENDMENTS TO IAS 39 FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT EXPOSURES QUALIFYING FOR HEDGE ACCOUNTING

1. The Accounting Standards Council (ASC) appreciates the opportunity to comment on the exposure draft of proposed amendments to IAS 39 *Financial Instruments: Recognition and Measurement Exposures Qualifying for Hedge Accounting* issued by the International Accounting Standards Board (IASB) in September 2007. Our comments below address the specific questions set out in the Discussion Paper.

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 proposal and noted that Paragraph 80Y of the proposal identify and restrict the risks that qualify for designation as hedged risks. However, this list did not include other commonly hedged risks of financial items such as equity price risk and commodity price risk. If there are reasons why these risks do not qualify for designation as a hedged risk, it would be helpful to mention in the standards that these risks are to be excluded and the basis for their exclusion.

Additionally, we note that whilst the terms interest rate risk, currency risk and credit risk are defined in IFRS 7, the term prepayment risk is not so defined. We suggest that the latter be defined in IFRS 7 so as to clarify the prepayment risk that qualify for hedged risks under this proposal.

Question 2 – Specifying when an entity can designate a portion of the cash flows of a

Address: The Secretariat, Accounting Standards Council,
c/o Ministry of Finance, 100 High Street, #10-01, The Treasury, Singapore 179434.
Website: www.asc.gov.sg Email: MOF_Feedback_ASC@mof.gov.sg Fax: (65) 6332 7435

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 and, at this point, have no further suggestions on 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

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?

No, there would be no significant change to the 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?

Yes, the requirement to apply the proposed changes retrospectively is appropriate.

2. Should you require any further clarification, please kindly contact me. Thank you.

Yours faithfully,

Dexter Tan
Secretary, Accounting Standards Council

Address: The Secretariat, Accounting Standards Council,
c/o Ministry of Finance, 100 High Street, #10-01, The Treasury, Singapore 179434.
Website: www.asc.gov.sg Email: MOF_Feedback_ASC@mof.gov.sg Fax: (65) 6332 7435