

**Organismo Italiano di Contabilità – OIC**  
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Mrs Svetlana Boysen  
EFRAG  
Avenue des Arts 41  
B -1040 Brussels

27 May, 2005

**Re : “IFRIC Draft Interpretation D15 *Reassessment of Embedded Derivatives*”**

Dear Mrs Boysen,

We are pleased to provide our comments on the “IFRIC Draft Interpretation D15 *Reassessment of Embedded Derivatives*”.

The document prepared by the IASB addresses some aspects concerning the separation of derivatives contracts embedded in complex financial instruments.

In particular, it specifies that the embedded derivative must be separated at the moment when the contract is signed and assessed with reference to the market conditions prevailing at that time. Subsequent reassessments are not allowed.

For entities applying the IAS/IFRS for the first time, the separation must be made for all complex instruments entered in their accounts, verifying the need to account separately for the derivative contract with reference to the market conditions prevailing at the time when the contract was signed.

Concerning the first point, we agree with the IASB document, and so share the EFRAG’s opinion, on the need to separate a derivative contract that has the requisites to be accounted for separately at the moment the contract is signed and not at a later date. Only where the contractual conditions subsequently change is it necessary to reassess the accounting criteria.

Concerning the first-time application of IAS 39, we consider it theoretically correct, and so share the EFRAG’s view, to separate the implicit contracts on the basis of the market conditions prevailing at the time when the contract was signed.

However, it cannot be denied that in some situations, e.g. contracts dating back a long time, it is not always possible to determine what the original conditions were.

Therefore, we are of the opinion that it would be appropriate to supplement paragraph 5 of the document with the specification that the rule must be applied to the extent that the information can be reconstructed without incurring excessive costs compared with the benefits that would have arisen if the entity had separated the contracts on the basis of the original conditions compared with those prevailing at the moment of transition.

Yours sincerely,

Prof. Angelo Provasoli  
(OIC – Chairman)