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Sir David Tweedie
30 Cannon Street
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20 January 2009

Re: Exposure Draft of Proposed Amendments to IFRS 7 Investments in debt instruments

Dear Sir,

we are pleased to have the opportunity to comment on the IASB *Exposure Draft of Proposed Amendments to IFRS 7 Investments in Debt Instruments*. This letter is submitted in OIC's willingness to contribute to the international debate on such Exposure Draft. The OIC's responses to the individual questions raised in the ED are shortly set forth in the attached Appendix, since they are based on the general comments included hereinafter.

In brief, the ED proposes that entities should provide more information in a tabular format for all investments in debt instruments other than those recognised at fair value through profit or loss. It requires entities to disclose the effect on pre-tax profit or loss had such instruments been accounted for (i) at fair value and (ii) at amortised cost; it also provides for a summary of the different measurement bases of these instruments that sets out (i) the measurement as in the statement of financial position, (ii) fair value and (iii) amortised cost.

OIC has several concerns about the proposed amendment:

Urgent action

This amendment contains disclosure requirements that enhance the level of information on financial instruments, and that can help the users to better understand how debt instruments are actually managed and accounted for, in the current context of financial crisis. We are conscious that the financial crisis put great pressure onto IASB to accelerate its works on the implementation of IAS 39, and we believe that improving disclosure is a key element of this process. The disclosure requirements included in this amendment have been proposed with the aim of enhancing comparability among the debt instruments held by an entity, bearing in mind that such a comparability was requested at the public roundtable meetings in November and December 2008.

As expressed in the letter dated 17 December 2008 sent by IASB to the EU Commission, the ED should represent an urgent action to mitigate the impairment issue raised by the EU Commission on October 2008. The issue is related to the difference in measuring impairment between debt instruments classified as AFS, measured on the basis of fair value, and those classified in HTM or L&R, measured under the

amortised cost method. We understand that, since this topic is far too complex to be addressed in the short term and in the context of the convergence with FASB, the IASB proposed an urgent action in terms of improving disclosure that will enable entities to disclose the effect on profit or loss of debt instruments classified as AFS should they be measured at amortised cost.

However, the proposed amendment does not seem to reflect the actions requested by the participants to the roundtable meetings, who asked for improvements on measurement and disclosure of impairment of financial instruments recognised as AFS. This amendment does not provide more specific information on impairment losses of AFS debt instruments, nor the disclosure of the impairment losses that would have been recognised had those instruments been measured at amortised cost. On the contrary, the proposed amendment provides for information that were not requested at the round table meetings. We agree with proposal for additional disclosures, when those contribute to enhance the transparency of information reported in financial statements, however, we do not believe that "as if" disclosures meet this objective, nor this appears to be so urgent to require an accelerated due process.

We also see practical problems in implementing such solution in a very short time requiring the proposed disclosures for the financial statements for the year ended on 31 December 2008. Even though Fair Value is disclosed for HTM and LR debt instruments, disclosure of change in fair value is a different matter as it requires to monitor the changes in the portfolio during the financial period. We suspect that many preparers' Information Systems currently set up for an amortised cost measurement are not ready to provide information required by the amendment for the period ended on 31 december 2008, nor that such system changes may be made in a short time frame.

In conclusion, we support the view expressed in the EFRAG comment letter of "the proposal in the ED are not sufficiently urgent to justify abandoning the normal due process and sensible implementing regime". We believe that IASB should move forward to address recognition and measurement of impairment of debt instruments classified in AFS, continuing the convergence process with FASB.

Disclosure requirements

As mentioned above, the ED requires entities to disclose the effect on pre-tax profit or loss as if the instruments were accounted for at fair value and at amortised cost. Generally, presenting different figures of profit or losses does not necessarily enhance the comparability between different entities, since, as a matter of fact, an entity may have calculated the disclosed information in a different way than other entities (ie compensation plan with liabilities). As a general remark, the proposal to disclose net profit/loss according to different "measurement scenarios" would determine to have several figures:

- an "official" P&L;
- a P&L as if debt instruments were measured at fair value through P&L;
- a P&L as if debt instruments were measured at amortised cost;
- a P&L as if instruments reclassified outside HFT/AFS were not reclassified.

We believe that the ED disclosure requirements may confuse the users, because of the proliferation of possible hypothetical pre-tax profit or loss figures could be misleading to them and will enlarge an already complex set of disclosure requirements for preparers. In addition, disclosing "pro-forma" pre-tax profit or losses in different "as if" scenarios would be in contrast with the aim of simplification that the IASB seemed to look for with the discussion paper "Reducing complexity in Reporting financial instruments". We think the subject requirements, should be included in a more comprehensive project on recognition and measurement of financial instruments, in order to avoid that solutions dictated by urgency, such as this ED, will need to be revised once any such project will be completed.

Yours sincerely,

Angelo Casò
(OIC Chairman)

APPENDIX – Answers to Invitation to Comment

Question 1
The exposure draft proposes in paragraph 30A(a) to require entities to disclose the pre-tax profit or loss as though all investments in debt instruments (other than those classified as at fair value through profit or loss) had been (i) classified as at fair value through profit or loss and (ii) accounted for at amortised cost. Do you agree with that proposal? If not, why? What would you propose instead, and why?

OIC response

The OIC does not agree with the proposal, for the reasons set out in the covering letter.

Question 2
The exposure draft proposes to require disclosing the pre-tax profit or loss amount that would have resulted under two alternative classification assumptions. Should reconciliations be required between profit or loss and the profit or loss that would have resulted under the two scenarios? If so, why and what level of detail should be required for such reconciliations?

OIC response

The OIC does not agree according to the response of Question 1.

Question 3
The exposure draft proposes in paragraph 30A(b) to require entities to disclose for all investments in debt instruments (other than those classified as at fair value through profit or loss) a summary of the different measurement bases of these instruments that sets out (i) the measurement as in the statement of financial position, (ii) fair value and (iii) amortised cost. Do you agree with that proposal? If not, why? What would you propose instead, and why?

OIC response

The OIC does not agree with the proposal, for the reasons set out in the covering letter.

Question 4
The exposure draft proposes a scope that excludes investments in debt instruments classified as at fair value through profit or loss. Do you agree with that proposal? If not, would you propose including investments in debt instruments designated as at fair value through profit or loss or those classified as held for trading or both, and if so, why?

OIC response

The OIC agrees with the scope exclusions for debt instruments classified as at fair value through profit or loss, should the proposed amendments be confirmed.

Questions 5 and 6
Do you agree with the proposed effective date? If not, why? What would you propose instead, and why?
Are the transition requirements appropriate? If not, why? What would you propose instead, and why?

OIC response

The OIC does not agree with the proposed effective date and transitional requirements, for the reasons set out in the covering letter.