

Dr. Alexander Schaub
Director General
European Commission
Directorate General for the Internal Market

1049 Brussels

13 February 2006

Dear Dr. Schaub,

Adoption of Amendment to IAS 21 *The Effects Of Changes in Foreign Exchange Rates—Net Investment in a Foreign Operation*

Based on the requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards we are pleased to provide our opinion on the adoption of Amendment to IAS 21 *The Effects Of Changes in Foreign Exchange Rates—Net Investment in a Foreign Operation* ('the Amendment').

The Amendment was published by the IASB on 15 December 2005. It becomes effective for annual periods beginning on or after 1 January 2006, with early application encouraged. It was issued in draft as draft Technical Correction 1 and EFRAG commented on that draft.

EFRAG has evaluated the Amendment based on input from standard setters and market participants in accordance with EFRAG's due process.

EFRAG supports the objective of the Amendment, which is to correct one aspect of IAS 21 and to clarify another; EFRAG also supports its content.

EFRAG has concluded that the Amendment meets the requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards in that:

- i. it is not contrary to the 'true and fair principle' set out in Article 16(3) of Council Directive 83/349/EEC and Article 2(3) of Council Directive 78/660/EEC; and
- ii. it meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.

For the reasons given above, EFRAG believes that it is in the European interest to adopt the Amendment and, accordingly, EFRAG recommends its adoption.

On behalf of the members of EFRAG, I should be happy to discuss our advice with you, other officials of the EU Commission or the Accounting Regulatory Committee as you may wish.

Yours sincerely,

Stig Enevoldsen
EFRAG, Chairman