

## **Stakeholders' Meeting on IASB's IAS 39 revision - Phase I. Exposure Draft**

A Stakeholders' Meeting organized by the European Commission took place on 22 of July where participants had the opportunity to exchange views and preliminary reactions to the recent Exposure Draft from the IASB.

The IASB made public on Tuesday 14 July the Exposure Draft (ED) on *Classification and Measurement*. This is the key initial phase of the IAS 39 revision aiming at simplifying the standard and improving transparency, while also restoring the level playing field by addressing concerns about the impairment of debt securities in the "Available For Sale" (AFS) category. This opens a period of consultation with stakeholders concluding on 14 September. The IASB has pledged that this revision will be concluded in time for preparation of the 2009 annual accounts.

The IASB's initiative to amend the IAS 39 standard on financial instruments responds to the G-20's request for reducing complexity of accounting rules, and improving standards for the valuation of financial instruments based on their liquidity and investors' holding horizons, while reaffirming the framework of fair value accounting. It is also the IASB's response to the ECOFIN Ministers' request to restore the level playing field on the key issue of impairments of AFS debt securities, and other issues raised by the European Commission in October 2008.

This was a well-attended meeting, and all participants appreciated the timely opportunity to share their views with other stakeholders. Participants are still analysing the detail of the recent IASB's proposal.

Stakeholders welcomed the fact that the IASB has delivered the Exposure Draft in July, as it had committed to do. They showed appreciation of the IASB's simplification efforts, and strong interest in getting at an overall robust and

effective standard. Participants also recognized that the targeted amendment is ambitious and technically complex. For some participants the project sequencing in three phases proposed by the IASB will make overall assessment by stakeholders more difficult, and implementation challenging. Most comments underlined that the new standard should not result in additional income volatility and that the convergence objective mandated by the G-20 should be fully taken into account by both the IASB and US FASB.

Stakeholders engaged in an open debate of the main features of the IASB's proposal, including reduction of the number of categories to two (amortized cost and fair value), classification criteria (where the importance of business model was underlined by several stakeholders), and the prohibition of reflecting in profit any income (e.g.: received dividends, capital gains) from investments classified under the "Fair Value through Other Comprehensive Income category" (*recycling*).

All stakeholders showed their commitment to participate in the IASB's consultation process constructively, with the objective of arriving at a better and simpler accounting solution for financial instruments. Some stakeholders also expressed their concerns on implementation issues, fully retrospective application, related costs, and comparability of results from different entities during the transition period.

This event will be followed up by another stakeholders' meeting organised by the European Commission on 4 September where stakeholders will be given the opportunity to share a more complete and detailed analysis, ahead of the 14 September deadline.