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

12 October 2011

Dear Sir or Madam,

RE: EXPOSURE DRAFT HEDGE ACCOUNTING: PROPOSED DISCLOSURE REQUIREMENTS

As we already mentioned in our comment letter on the Exposure Draft on Hedge Accounting (the ED), BUSINESSEUROPE highly appreciates the efforts the Board has made in order to modify hedge accounting requirements.

But we also had and still have concerns especially with regard to the proposed disclosure requirements on Hedge Accounting.

As outlined in our comment letter from March 15th, 2011, this was notably true for the proposals on disclosing ‘the amount, timing and uncertainty of future cash flows’ as outlined in paragraphs 40(b) and 45-48 of the ED because that would imply presenting highly sensitive information, particularly estimations ‘for each subsequent period’ about amounts and quantities being hedged in the future and the corresponding hedge ratios, which would give competitors, customers and speculators extensive insights into certain critical estimates.

In the meanwhile, the IASB had a discussion about the proposed disclosures in its board meeting on July 28th, 2011. With respect to the hedge accounting disclosures, the staff recommended to provide the possibility to ‘opt out’ of the disclosure requirements when reporting such information would result in disclosing commercially sensitive information. But if entities would choose to opt out, then they should be required to disclose detailed information by risk category about the designated hedging instruments instead of the ED disclosures.

Due to concerns about requiring such an opt-out, the Board tentatively decided not to include such an opt out rule, but to require disclosure of information that would allow users to understand:

- the principal, stated face or similar amount (referred to as the notional amount) of the hedging instrument,
- a profile of the timing of the notional amount of the hedging instrument (based on the terms of the instrument), and

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- if applicable, the average price or rate (e.g. strike or forward prices etc) of the hedging instrument.

Consequently, the Board omitted the proposed disclosures in the ED.

Although we believe that with this decision the IASB took a step in the right direction, we strongly reject the provision of more detailed information on the different types of hedging instruments, their maturity, strike prices, etc. One reason is that the quantity of different hedging instruments is very high (e.g. more than 15 currencies, more than 10 types of derivative instruments and different strikes per year, 3 year hedge horizon; in result more than 450 different instruments to describe). Another reason is that option hedging structures especially are very complex and the consequences of different market scenarios are difficult to describe, which could lead to misinterpretations and would create more questions than answers. To conclude, we do not believe that presenting such information would create any meaningful benefit to users of financial statements.

In summary, we highly appreciate that the IASB omitted the disclosure requirements of the ED by its tentative decision on July 28th, 2011. On the other hand, we believe that reporting detailed information about the designated hedging instruments, thus providing information only about 'one side' of the designated hedging relationships does not result in any meaningful disclosures. Based on these conclusions, we ask the IASB to abolish these proposed disclosure requirements on 'the amount, timing and uncertainty of future cash flows'.

If you need any further information please do not hesitate to contact us.

Yours sincerely,

J. Chauvin

Jérôme P. Chauvin
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Internal Market Department