

Mrs Françoise Flores
Chair
European Financial Reporting Advisory Group
35, Square de Meeûs
B-1000 Brussels

Brussels, 21 February 2013

Subject: EBF Comment letter on the EFRAG draft Comment Letter on the impact of the Review Draft general hedge accounting on macro hedge accounting

Dear Ms Flores,

I am writing to you on behalf of the European Banking Federation (EBF) to provide you with the EBF comments on the EFRAG's draft letter related to the impact of the Review Draft General Hedge Accounting on macro-hedge accounting.

The EBF agrees on the focus put on the implications of the Review Draft on current macro-hedging practices and on unexpected consequences to macro-hedge accounting.

Indeed, macro-hedging activities are crucial for European banks.

The EBF does not object to the IASB's decision to decouple the general hedge accounting model from the macro-hedge accounting model since it is stated in the Review Draft that no specific accounting issues would be addressed for open portfolios or macro hedging (Paragraphs IN8(c.), BC6.9-15).

However in the EBF's view, there is a contradiction between the goal of leaving current macro-hedge practices and the scope of the hedge accounting defined in the Review Draft. Indeed, since references in Paragraph 6.1.3 are limited to the notion of fair value hedge accounting, the Review Draft only scopes out fair value hedges from general hedge accounting. In addition, the Review Draft deletes some hedge-related paragraphs in IAS 39 including section F of the Implication Guidance of IAS 39. This situation leaves the entities that currently apply the IAS 39 with uncertainty as there will no longer be specific paragraphs in the standard that they can point to.

The EBF considers that all macro hedging strategies whether designated as fair-value hedges or cash-flow hedges should be covered by macro-hedge accounting under IAS 39 given that they are all managed at a portfolio level by the risk management.

The EBF believes that the current interaction between the new hedge accounting requirements of the Review Draft and those hedge accounting requirements of IAS 39 that still will be valid is confusing and would have unintended consequences on macro hedge relationships.

Therefore we fully share the view of EFRAG that the IASB needs to modify the wording of Paragraph 71 of IAS 39 and paragraph 6.1.3 of the Review Draft to allow all current hedge accounting requirements for open portfolios to be maintained and kept fully applicable in IAS 39 and that the related Implementation Guidance in Section F *Hedging* directly relevant to macro-hedging should also be maintained.

In addition, the EBF does not see any rationale for the Review Draft to partially cover macro-hedge relationships while a project on macro hedging has been issued and as such should cover the whole package of macro-hedge relationships.

We hope you find our comments useful and would be pleased to provide any further information you might require.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Guido Ravoet', is written over a faint, light blue circular stamp or watermark.

Guido Ravoet
Chief Executive