

From: Svetlana Boysen
Sent: Wednesday, June 01, 2005 1:53 PM
To: 'apryde@iasb.org'
Cc: Paul Ebling
Subject: Day 1 profit disclosures

Dear Andrea,

Please see below our comments in response to the IASB staff invitation to comment on the drafting of "Day 1 profit disclosures". To meet the deadline for comments this message was not discussed by EFRAG Technical Experts Group and was not subject to public consultation process. They are, in effect, EFRAG staff comments, although they are based on the advice from EFRAG Financial Instruments Working Group.

1 The proposed drafting seems to assume that amortisation of the difference (between the transaction price and the amount determined using a valuation technique whose variables include data not obtained from observable markets) will always be appropriate. However, in our view this contradicts BC222 (u) (ii) in the revised IAS 39 which explains that the Board concluded that although straight-line amortisation may be an appropriate method in some cases, it will not be appropriate in others. In addition, we understand that current industry thinking on this point varies, for example with some entities supporting amortisation and others retaining the suspended amount until the valuation inputs become observable. Therefore we suggest that the reference should be to the entity's own policy, whatever it may be, for releasing Day 1 gains or losses rather than just to amortisation. If you decide to retain the existing references to amortisation, we think the wording should explain what the implications are for an entity that is not using an amortisation method.

2 In addition we suggest clarifying the wording to emphasise that the difference will be recognised in future periods and referring to the balance of the difference when stipulating the amounts that need to be disclosed.

Kind regards,

Svetlana Boysen

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