

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

1049 Brussels

20 June 2005

Dear Dr. Schaub,

**Adoption of Amendments to IAS 39 Financial Instruments: Recognition and Measurement – The Fair Value Option**

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 **Amendments to IAS 39 Financial Instruments: Recognition and Measurement - “The Fair Value Option”**, as published by the IASB on 16 June 2005.

The amendments provide entities with an option when certain conditions are met to designate irrevocably on initial recognition a financial instrument as measured at fair value with gains and losses recognised in profit or loss.

The objective of these amendments is to allow entities to provide more relevant information about their financial instruments while not allowing them to use the option inappropriately.

EFRAG has evaluated these amendments to IAS 39 based on input from standard setters and market participants in accordance with EFRAG’s due process. EFRAG supports the amendments and has concluded that they meet the requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards that:

- i. they are 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. they meet 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 amendments to IAS 39 Financial Instruments: Recognition and Measurement - "The Fair Value Option", and, accordingly, EFRAG recommends their 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**