

Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

2 April 2013

Dear Mr Hoogervorst,

Exposure Draft “Novation of Derivatives and Continuation of Hedge Accounting”

We are taking this opportunity to comment on the exposure draft “Novation of Derivatives and Continuation of Hedge Accounting”. This letter has been drafted by Insurance Europe, representing 95% of the premium income of the European insurance market and the European Insurance CFO Forum, a body representing the views of 20 of Europe’s largest insurance companies. Accordingly, it represents the consensus view of a significant element of the European Insurance industry.

We support the IASB’s decision to propose amendments to IAS 39 and IFRS 9 that addresses concerns regarding the continuation of hedge accounting when hedging instruments are novated to a central counterparty (CCP).

Moreover we welcome the pragmatic decision taken by the IASB to rapidly provide relief from current accounting requirements so as to address the unintended accounting consequences that would have arisen from those changes in legislation or regulations. In this respect, we agree with the IASB that the requirement to discontinue hedge accounting in such cases would not have provided useful information in the financial statements.

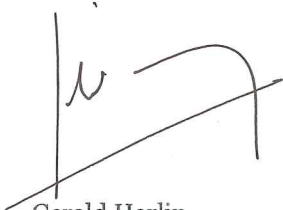
However, we are concerned that the scope of the proposed exception is too narrow. They consider that there may be other situations in which similar relief should be contemplated. This could be the case of voluntary novations of existing derivatives through a CCP to anticipate future regulation or law (e.g. before the effective date). Another case would be as a result of mitigation of risks techniques or sound risk management practices.

Given the widespread impact of specific legislative change both in Europe and elsewhere, we encourage the IASB to accept the proposed narrow scope exemption which also gained support in US GAAP. We also believe that early application should be permitted and encourage the Board to clarify that entities can use the proposed exemptions, even if novation took place before finalization of the ED’s amendments.

Finally, we explicitly share the Board’s view that the novated hedge relationship being in scope of the proposed exemption should be treated as ongoing concerning disclosure requirements. Thus, we supports the IASB Board’s tentative decision not to require additional mandatory disclosures.

Please do not hesitate to contact us if you have any questions and/or comments.

Yours sincerely,



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Chairman, European Insurance CFO Forum



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