Sir David Tweedie
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

8 December 2008

Dear Sir David,

Improving Disclosures about Financial Instruments – Proposed amendments to IFRS – Exposure Draft

We have considered this exposure draft and welcome the opportunity to comment on it. This letter has been drafted by the European Insurance CFO Forum, which is a body representing the views of 20 of Europe's largest insurance companies.

Nature and scope of the proposals – principles versus rules

We welcome the objective of providing some clarification around IFRS 7's requirements, notably encouraging greater transparency in disclosures given issues emerging in the current financial crisis. In particular, we strongly support the need for transparent disclosure of the fair value measurement process employed by companies and the results thereof.

We also support the view that IFRS's should be principles-based standards and we believe that prescriptive disclosures in IFRS 7 should be kept to a minimum and any further move towards requiring entities to provide a prescriptive list of disclosures would undermine the underlying principle-based approach of IFRS 7. While we note that some prescriptive disclosures already exist in IFRS 7, for example disclosures included in the section of the standard dealing with "Significance of financial instruments for financial position and performance", we would suggest that, in relation to the transparency of the fair value determination process, the IASB include in IFRS 7 additional principles (or refine the existing principles in paragraph 27) rather than prescribing certain set disclosures. We believe that the fair value hierarchy and related disclosures currently proposed in this exposure draft should form part of the Guidance on implementing IFRS 7 (i.e. not form an integral part of IFRS 7 itself) and should reflect one possible approach of complying with such IFRS 7 principles regarding fair value determination.

It should also be noted that entities would not expect to manage their business on the basis of the fair value hierarchy, but would instead apply consideration of the risk inherent in financial instruments. The level of unobservable inputs used in the valuation process is not directly related to risk. We believe that a more principles based "through the eyes of management" approach would represent a more appropriate basis for disclosure.

We can understand the IASB's objective to instil a level of market discipline by suggesting disclosure requirements around fair value determination. However, we would highlight that many entities have already made additional disclosures on a voluntary basis, including provision of fair value hierarchy and asset quality information. This information has been provided for the benefit of users when considered informative and relevant. We do not believe that an increased level of prescription is necessary to enhance users' understanding of financial statements.

Fair value disclosures – "level 3" reconciliation

Notwithstanding our views on principles over rules referred to above, we would like to specifically note that, given variations in the significance of portfolios of "level 3" financial instruments (those measured using unobservable inputs) to different companies, a blanket prescriptive requirement to provide a reconciliation of movements in such instruments is not considered useful or relevant information. This proposal, as recognised in paragraph 147(c) of the IASB's Expert Advisory Panel report on *Measuring and disclosing the fair value of financial instruments in markets that are no longer active*, is likely to lead to considerable implementation issues as "level 3" related information is not fully identified as a key characteristic of assets in the preparers' systems. We would suggest that, instead of a prescriptive requirement, IFRS 7's principles should articulate what the disclosures are trying to achieve.

Financial instruments not carried at fair value

In line with our views on principles-based standards we do not support the requirement to disclose financial instruments by fair value hierarchy level even if such instruments are not carried at fair value, included in paragraph 27C. The fact that financial instruments are not measured at fair value for accounting purposes suggests that they are managed on a different basis and hence the requirement to state which level in the fair value hierarchy they fall into appears to be of limited benefit to users.

We would also note that this requirement is inconsistent with SFAS 157 which does not require such disclosures. Given the references to similarities with SFAS 157 in the Basis for Conclusions we would ask the Board to consider establishing a level playing field with US GAAP in this regard.

Liquidity disclosures – contractual and expected maturity analyses

We believe that a maturity analysis for non-derivative financial liabilities should be provided in financial statements on the basis that an entity manages liquidity. Accordingly, we welcome the ability to provide disclosures based on expected maturities if an entity manages liquidity on that basis (paragraph 39 (b)). However, in such circumstances, we do not think the disclosure of contractual maturities in addition to disclosing the expected maturity analysis provides relevant information for users.

Effective date and provision of comparatives

We would suggest that the Board give consideration to permitting the first financial statements prepared under this standard, if early adopted, to be prepared without comparatives. We believe that such transitional arrangements would provide suitable encouragement to preparers if they wish to early adopt the proposed standard.

Should you have any questions regarding the contents of this letter please feel free to contact me.

Yours sincerely

Denis Duverne

Denis Duverne
Chairman of European Insurance CFO Forum