

23 December 2008

Our ref: ICAEW Rep 146/08



THE INSTITUTE
OF CHARTERED
ACCOUNTANTS
IN ENGLAND AND WALES

Mr Stig Enevoldsen
Chairman
European Financial Reporting Advisory Group
13-14 Avenue des Arts
B-1210 Brussels

By email: commentletter@efrag.org

Dear Stig

**ASSESSMENTS OF THE AMENDMENT TO IAS 39 AND IFRS 7
'RECLASSIFICATION OF FINANCIAL ASSETS – EFFECTIVE DATE AND
TRANSITION'**

The Institute of Chartered Accountants in England and Wales welcomes the opportunity to respond to EFRAG's Invitation to Comment on its assessments of the *Amendment to IAS 39 and IFRS 7 'Reclassification Of Financial Assets – Effective Date And Transition'*.

The Institute operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world-leading professional accountancy body, the Institute provides leadership and practical support to over 130,000 members in more than 140 countries.

We are satisfied that:

- (a) the amendment to IAS 39 and IFRS 7 meets the technical criteria for endorsement by the EU; and
- (b) the benefits to be derived from applying the amendment will exceed any costs involved.

We therefore fully support endorsement.

Our responses to the relevant questions raised by EFRAG are attached as an appendix to this letter.

Please contact me if you would like to discuss any of the points raised in this response.

Yours sincerely

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**INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS OF THE
AMENDMENT TO IAS 39 AND IFRS 7 'RECLASSIFICATION OF FINANCIAL
ASSETS – EFFECTIVE DATE AND TRANSITION'**

Comments should be sent to commentletter@efrag.org or uploaded via our website by 8 January 2008

1 Please provide the following details about yourself:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:**

The Institute of Chartered Accountants in England and Wales.

- (b) Are you/ls your organisation or company a:**

Other: professional accountancy body.

- (c) Please provide a short description of your activity/ the general activity of your organisation or company:**

See covering letter.

- (d) Country where you/your organisation or company is located:**

United Kingdom.

- (e) Contact details including e-mail address:**

See covering letter: desmond.wright@icaew.com

2 As explained in Appendix 2, EFRAG has concluded that, because of the process followed in developing and issuing the amendment that this Clarification clarifies, it is not appropriate to evaluate the Clarification on a standalone basis against the EU endorsement criteria. EFRAG has therefore evaluated the Clarification and October amendment together and concluded that together they meet the technical criteria for endorsement. In other words, they are not contrary to the true and fair principle and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's tentative view therefore is that it should recommend endorsement of the Clarification. EFRAG's reasoning is set out in Appendix 2.

- (a) Do you agree with this assessment?**

Yes

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

Not applicable.

- (b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of the Clarification? If there are, what are those**

issues and why do you believe they are relevant to the evaluation?

We are not aware of any other issues.

- 3 As explained in Appendix 3, for similar reasons EFRAG has concluded that it is not appropriate to assess the costs and benefits of the Clarification on a standalone basis; rather the costs that will arise for preparers and for users, both in year one and in subsequent years, to implement the Clarification and the October amendment together should be assessed and compared to the benefits expected to arise from the October amendment and Clarification together. Some initial work has been carried out on this assessment, and the responses to this Invitation to Comment will be used to complete the assessment.**

The results of the initial assessment are set out in Appendix 3. They are that the Clarification and the October amendment together:

- (a) will involve preparers in some additional costs to make the reclassifications, although reclassification is optional so those costs are taken on voluntarily;**
- (b) will involve users in some insignificant additional analysis costs; and**
- (c) will involve benefits that are likely to exceed those costs.**

Do you agree with this assessment?

Yes

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

Not applicable.

- 4 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the Clarification.**

Do you agree that there are no other factors?

Yes

If you do not, please explain why you do not and what you think the implications should be for EFRAG's endorsement advice?

Not applicable.

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