

20 October 2008

Our ref: ICAEW Rep 121/08



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 IFRIC 16 'HEDGES OF A NET INVESTMENT IN A FOREIGN OPERATION'

The Institute of Chartered Accountants in England and Wales welcomes the opportunity to respond to EFRAG's Invitation to Comment on its Assessments of IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*.

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) IFRIC 16 meets the technical criteria for endorsement by the EU; and
- (b) the benefits to be derived from applying IFRIC 16 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 IFRIC 16
'HEDGES OF A NET INVESTMENT IN A FOREIGN OPERATION'**

**Comments should be sent to commentletter@efrag.org
or uploaded via our website by 20 October 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 EFRAG's initial assessment of IFRIC 16 is that it meets the technical criteria for endorsement. In other words, it is not contrary to the true and fair principle and it meets the criteria of understandability, relevance, reliability and comparability. 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 IFRIC 16? 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 EFRAG is also assessing the costs that will arise for preparers and for users from the implementation of IFRIC 16 in the EU, both in year one and in subsequent years. Some initial work has been carried out, 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. To summarise, EFRAG's initial assessment (see Appendix 3, paragraphs 2-4) is that IFRIC 16 is:

- (a) likely to involve some preparers in some incremental year one costs, but those costs are likely to be very insignificant;**
- (b) likely to involve preparers in no incremental ongoing costs;**
- (c) likely to involve users in no year one or ongoing incremental 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's initial assessment is that IFRIC 16 is likely to result in improvements in the quality of the information provided and that the benefits to be derived from that will exceed the costs involved (Appendix 3, paragraphs 5 and 6).**

Do you agree with this assessment?

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.

- 5 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 IFRIC 16.**

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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