ABI

ABI'S COMMENTS ON THE PROPOSED REVISION OF IAS 32 AND 39

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1. PREMISE

The International Accounting Standards Board document, both in the original version and in the revised version now at the exposure draft stage, presents significant innovations for all companies doing business in Italy, where until now national accounting standards have been applied for company accounts. The most significant innovations relate to the extension of "fair value" accounting for financial instruments, in an accounting framework such as Italy's existing one, which calls for the historical cost standard and the standard of prudence as the guideline for the valuation of transactions, including hedges, and for the determination of loss provisions on loan exposures not included among doubtful or non-performing loans.

The new standard involves complicated application techniques that, both at banks and financial companies and at manufacturing or commercial firms, will have a significant impact not only in accounting terms but also, and above all, from the operational, organizational, and data processing standpoint. Nevertheless, Italy's Banking Industry too is favorable to the intention expressed by the new standard of reordering, rationalizing and clarifying the accounting and valuation standards for financial assets and liabilities.

However, ABI considers it is necessary to voice doubts on some aspects of IAS 39, which if the current approach is retained, could have significant effects on banks' and firms' present procedures for risk management. Since some of these doubts were also raised by EFRAG in its draft comments published on its website (www.efrag.org) and attached for your reference, in the rest of the present paper our comments will take as a point of departure those of EFRAG.

2. COMMENTS ON ED IAS 39

2.1 Hedge accounting

One of the most complicated problems, with a substantial impact on operations and risk management of banks, arises from the rules on hedge accounting.

<u>The general standard for hedge accounting (paras. 153, 158) (EFRAG - Appendix 1)</u>

The standard requires that the valuation of the asset or liability being hedged must follow the valuation of the hedging instrument. In practice, this implies that if they are not hedged assets and liabilities, such are carried at cost, while if a hedge is instituted they are then carried at "fair value".

The IAS standard is acceptable insofar as it results in a symmetrical valuation of hedges (for fair value hedges, changes in the value of the hedged items and the hedging instruments are both recorded to the profit and loss account), which does not affect the volatility of economic results; otherwise (in the case of a cash flow hedge), only equity is affected.

However, in the case of fair value hedges this approach requires changes in the values of assets that would otherwise be valued at cost and only when designated as hedged items take balance sheet values analogous to those of trading assets and liabilities. In these cases, therefore, their representation would be inconsistent with the purposes for which the hedged assets/liabilities are held/used. The requirement to report at fair value also those assets/liabilities originated by the firm itself would also have undesirable effects of poor comparability of accounts, in connection with the necessarily subjective estimation of the “market value” of items that have no secondary market, such as loans granted by banks.

EFRAG proposes to invert this standard, aligning the valuation of the hedging instrument with that of the hedged items. Accepting this approach would, among other things, make it pointless to distinguish between cash flow hedges and fair value hedges, in that the accounting treatment of instruments and items would be the same, in any event.

For these reasons, ABI considers that the EFRAG proposal is not just acceptable but essential and necessary. Eliminating the distinction between cash flow and fair value hedges would simplify the accounting standard, as has been called for in many quarters, and makes for more uniform accounting approaches by reducing the number of options allowed by the present IAS 39, with analogous effects on the disclosure requirements of IAS 32. Given similar types of risks to be hedged, analogous hedged items and analogous hedging instruments, such options, would allow the accounting treatment of hedges to be modified simply by modifying the designation of the type of hedge being used.

Valuation of hedging instruments (paras. 153 and 158) (EFRAG - appendix 1)

After examining the general standards for the accounting treatment and valuation of hedges, EFRAG looks at the accounting and valuation procedures for hedges laid down in IAS 39.

Since inverting the valuation process for hedges could mean carrying derivative instruments used to hedge assets or liabilities originated by the firm at cost, EFRAG agrees with the intention of IAS 39 to carry all derivative instruments, whether hedging or not, at fair value. To maintain the necessary consistency of valuation in the profit and loss account, the offset of this entry must be taken directly to equity.

However, this solution nevertheless creates a distortion (even if only to equity), so in principle it would not be acceptable. Yet since it permits a mediation between the present IAS 39 solution and the request to invert the general accounting standard governing hedges (thus making it possible to carry assets and liabilities originated by the firm and their hedges at cost), the solution proposed can be seen as the “lesser of two evils” and hence acceptable.

Further, since this accounting treatment would generate distortions, increasing the volatility of equity, it is deemed acceptable only if specific items are envisaged (as IAS No. 1 itself requests in reference to the statement of changes in equity) to keep separate the equity changes generated by these valuations both for prospectuses and for the calculation of supervisory capital and capital ratios.

Non-derivative hedging instruments (para. 122) (EFRAG - appendix 1)

The accounting standard does not allow one to classify a non-derivative asset or liability as a hedging instrument except for hedging currency risk. The reason given is that the possibility of

carrying non-derivative assets and liabilities at amortized cost would generate inconsistencies of valuation within hedge accounting.
EFRAG sees no reason for this restriction.

We find no valuation discrepancies resulting from the use of the IASB standards for asset and liability items that are functionally linked and not designated within the framework of a hedge (e.g., deposits taken to finance lending by the firm). This could only occur in the quite unlikely event of an asset or liability in one segment (trading, available for sale, originated by the firm and held to maturity) being used to hedge assets or liabilities classed in other segments.

In any case, if the EFRAG proposal of inverting the accounting criterion governing hedge accounting were adopted (i.e., making the hedged item "lead" the treatment of the hedging instrument), the possibility of treating a non-derivative asset or liability as a hedging instrument would be irrelevant for purposes of valuation and the accounting thereof. For the non-derivative asset or liability treated as a hedging instrument would not be subject to different accounting treatment with respect to a situation in which it was not classified in the framework of hedge accounting, considering that it is unlikely that a trading asset or liability will be classified as a hedging instrument against a non-trading asset or liability.

In our opinion, therefore, the EFRAG observation on this issue is not particularly incisive. On the contrary, it should be observed that if the proposal were accepted by the IASB it could even lead to undesired results that conflict with the principle of symmetry of valuation in the case hypothesized above: e.g., designation of financial liabilities as hedges for saleable or trading assets (in this case it would be necessary to carry the liability at fair value and take the effects respectively to equity and the profit and loss account).

<u>Assets held to maturity (para. 127) (EFRAG - appendix 1)</u>

The principle is that the interest rate risk on an asset or liability held to maturity cannot be hedged because the asset is not subject to sale and thus changes in market rates are irrelevant.

EFRAG does not consider this restriction justified.

We agree with the EFRAG position, above all in view of the fact that the restriction can produce unwarranted differences in accounting treatment, thus distorting economic results. For example, a long position at a variable interest rate generated in one case by the purchase of a variable-rate security and in another by a fixed-rate security with a connected swap to transform it into variable rate, would be subject to different accounting treatment. A similar unjustified difference would be found in the case of credit claims acquired and credit claims originated by the firm: since acquired credits classified in the held-to-maturity category cannot be hedged, there would be a difference in treatment between a credit originated by the firm (which can be hedged and thus accounted under the hedge accounting rules) and an acquired credit (which cannot be hedged). This problem emerges in countries where there is no true credit market and an acquired credit must necessarily be classed in the held-to-maturity category and not in the trading or saleable category.

<u>Perfect hedge (para. 147) (EFRAG - appendix 1)</u>

The standard, under the US FAS 133, lays down that a perfect hedge exists when a hedge exactly matches the terms (maturity, size, currency, underlying) of a hedged instrument, however paragraph 147 of IAS 39 says that such a hedge is likely to result in effectiveness but does not state that we can assume perfect hedge effectiveness. EFRAG, accordingly, proposes to conform the wording of the paragraph to US FAS 133 and expressly state that there is a perfect hedge and that thus, for interest rate risk only, no further tests of effectiveness are needed (the short-cut method can be used).

ABI agrees with the EFRAG position.

Hedges of groups of items, not of individual items (para. 133)

A reading of this standard indicates the intention of assimilating hedges of groups of items (so-called "macrohedges") to hedges of single items. The standard states that hedge effectiveness , in the case of groups of items or hedges of net positions, cannot be ascertained by matching the result of the hedge with the net position but only with individual items that form part of the net position.

At present, banks in their risk management make very extensive use of hedges of groups of items.

The problem thus concerns the documentation and assessment of hedge effectiveness for this type of hedge and the measures required to comply with the IAS rules on accounting treatment of hedge effectiveness in these cases. At present, banks have asset and liability management systems and risk monitoring procedures that can evaluate the portion of the risk that is hedged even in the case of aggregates or net positions. The summary data on a bank's risk position, typically supplied by asset and liability management systems, would appear to be generally aligned with the concept of net position used in IAS 39. Generally, these summary data also provide for the possibility of identifying the individual transactions, assets and liabilities, that compose the net position (this is an added piece of information that is certainly available, even if obtaining it may require a significant EDP and organizational effort).

IAS 39 asks more, however, namely that one identify a link between the overall net position and one or more transactions actually entered into by the firm to designate such as hedged items and valuate these items at fair value, like the hedging instrument. In this regard, the following observations hold:

- any single net position may be constituted by a very large number of transactions/items;
- the individual item may make up only a part of the net position;
- the individual item may contribute to more than one net position (identified by maturity ranges);
- the entire group of transactions that can be designated as hedged items is subject to systematic variations in number and quality of its component items, as the group is in any case the fruit of necessarily dynamic management of interest rate risk.

Consequently, the current approach of IAS 39 makes it very difficult if not impossible to hedge groups of asset and/or liability items. Assuming there exists a macrohedge of a group of credits and debits originated by the firm, if the conditions laid down by para. 133 were not satisfied, the derivative instruments would be valued at fair value and would affect the profit and loss account, while the related positions (which cannot be designated as hedged items) should be measured at cost, which would obviously distort the profit and loss account.

The use of hedge accounting for net positions would be greatly facilitated if it were possible to carry the net overall position itself at fair value without having to designate the individual component items, utilizing the banks' asset and liability management systems – where these are certified by the internal control bodies in the course of their testing of monitoring and risk management systems – and if necessary making adequate disclosure in the balance sheet of the policies followed.

If the EFRAG proposal to invert the general standard for hedge accounting were accepted, and the primacy of the hedged item recognized, hedging instruments of positions carried at cost would also be carried at cost or, at most, at fair value with the effect taken to equity. Hence, once the hedge relationship is shown, there would be no valuation effects on the profit and loss account, as is the case now.

Finally, let us note that too rigid a position on these concepts could lead banks to limit their hedging, thus heightening their risk profile.

Internal deals (para. 126B)

Under this standard, only derivatives involving an external party can be designated as hedging instruments. This means that the effects of internal hedges between different units of a firm or between different firms within a group are eliminated from the individual accounts and the consolidated accounts.

This constraint would require most Italian banks to alter their internal organization in hedging asset and liability items, with severe consequences for the profit and loss account. In many cases trading is handled centrally by a special operational unit. These units manage, within their portfolios, also positions assumed in order to hedge risks taken by other units of the bank that are not authorized to operate in the market. The latter's needs are served by internal deals. Ordinarily the trading unit manages its position on an overall basis, regardless of whether it is generated by trading or by hedging, so that hedges are not necessarily replicated immediately in the market. These operational procedures enable the trading unit to be active rather than passive in the market and thus to obtain better terms.

Consequently, under the procedures of many banks, internal hedging transactions undertaken by non-trading units are not eliminated in the financial statements and are valued in line with the hedged items, while those undertaken by the trading unit are carried at fair value. In support of this approach, note that internal deals would, in any case, be recorded for accounting purposes if the trading unit considered it advisable to retain the hedge contract in its own position and decided to serve this need by a market transaction while simultaneously creating a hedge of the opposite sign for its own market position. Essentially, the point is that a situation in which the trading unit wants to maintain a position vis-à-vis the internal deal is perfectly replicable by a different procedure that is certainly more costly.

The requirement of eliminating internal deals would require banks to undertake a market contract for every single hedging need and would thus impose a very severe constraint on risk management.

It is accordingly suggested to allow banks and financial companies to carry on their books the internal deals undertaken for hedging purposes, on condition that their organizational and control systems are capable of keeping separate entries of these transactions and permit the documentation of being carried out at market prices.

Effectiveness of the hedge (para. 146)

This standard lays down that a hedge is "normally" regarded as highly effective if it can be expected that changes in the fair value or cash flows of the hedged item will be almost fully offset by the changes in the fair value or cash flows of the hedging instrument, and actual results are within a range of 80 to 125 percent.

Our view, however, is that this parameter must not be taken as the sole standard for assessing the effectiveness of a hedge. While recognizing that a literal reading of para. 146 allows that a hedge could be considered highly effective even in other circumstances, we believe that this accounting standard should state more explicitly that this manner of assessing hedge effectiveness is only one of the possibilities at the disposal of the firm to attest to the effectiveness of a hedge and is not binding.

2.2 Further problems

<u>Purchase of own debt instruments (para. 60)</u>

IAS 39 states that the repurchase of proprietary debt instruments, like treasury shares, extinguishes the corresponding fund-raising or equity components. The standard does not consider the purposes for which such repurchase is undertaken and consequently has unreasonable effects on their accounting representation, treating all such transactions as if their purpose were to extinguish the debt or reduce the company's equity capital. In the case of repurchasing proprietary bonds or certificates of deposit, the standard requires the immediate recording in the profit and loss account of the difference between the purchase price and the carrying value of the bonds issued (in the case of treasury shares, there would be a fictitious reduction in equity capital by the nominal amount and of the reserves for the residual).

However, in their current operations, banks frequently intervene in the secondary market with respect to their own securities with both purchases and sales. Consistent with their business aims, the repurchased securities are normally therefore classed under the trading portfolio and consequently aligned to the market value. The standard does not specify the accounting treatment when such repurchased shares or debt instruments are resold.

In the light of the above, we hold that the standard needs to be amended by including differential provisions depending on the purpose for which the treasury shares or proprietary debt instruments are repurchased and eliminating the present assumption that, in essence, such securities must be considered as to be held to maturity.

<u>Debt restructuring - the novative effect (paras. 64, 65A, 65B, 65C)</u>

IAS 39 requires treating liabilities as extinguished even debt restructuring that does not currently have a novative effect. In the case of a change in the original terms of debt (maturity deferment , rate reduction , rate redefinition , etc.), if the changes result in a change of more than 10 percent in the discounted present value of the cash flow, the standard requires that the transaction be recorded as the extinguishment of the original debt and the recognition of a new loan. In the case of debt restructuring for insolvent borrowers, this rule would require the creditor (the bank) to record an upward value readjustment (the loans are presumed to have already been written down) against the recognition of new claims to be written down immediately after their recognition. This distorts the accounting representation and could, what is more, have totally unwarranted adverse tax repercussions for banks.

It is accordingly proposed that these paragraphs be revised to include a provision that limits the criteria for accounting representation to cases in which there is a formal legal extinguishment/novation of the original debt.

Transaction costs (para. 66)

The current standard provides that transaction costs (e.g., commissions to agents, consultants, brokers, dealers) shall be considered as accessory costs of a financial asset or liability.

In this regard, considering among other things that this initial entry would result in a subsequent entry of costs to the profit and loss account for the effects of either fair value measurement or impairments (these costs, in fact, cannot be recovered by the issuer/debtor, nor are they relevant to fair value measurement), ABI proposes that accountants be given the option, depending on their nature, of charging these costs immediately in the profit and loss account.

Impossibility of classifying strategic investments as "held to maturity" (para. 10, para. 80)

Basically, para. 10 of IAS 39 requires classifying as "available for sale" any equity investments different from Associates or Joint Ventures even if such investments are strategic. This means that:

- listed shares are measured at fair value, with changes in fair value recognised directly in equity;
- unlisted shares, or equity instruments whose fair value cannot be reliably measured shall be measured at cost.

Fair value (i.e., the market price, for listed shares) is not always appropriate for this type of investment, especially where the market may be illiquid for large orders, or when they are traded at a premium.

Further, problems may arise related to National Regulators' limits, such as overall concentration and separation . To avoid distortions of accounting representation generated by the application of the IAS standards, we suggest to including long-term equity investments in the category "held to maturity".

We further believe that IAS 39 should better define the concept of "strategic investment," not simply referring to IAS 28 and IAS 31 but broadening the definition to all so-called long term investments which are currently comprised in the "banking book"

3. ANSWERS TO QUESTIONS ED IAS 39.

Question 1

ABI agrees with EFRAG's answer.

Question 2

The question of how and when a financial asset can be removed from the balance sheet following the transfer of the asset and of the related risks is certainly a delicate one, because in many cases a sale contract involves a series of related transactions such that the risks of the transferred asset can still be considered upon the transferor.

Nevertheless, the proposal to modify IAS 39 by instituting the continuing involvement approach to determine whether a financial asset, as the result of a transfer contract, must be derecognized does not properly and clearly reflect the real situation in the financial statements. Specifically, it is difficult, in the accounts and the related disclosure, to clarify and link an asset that has been formally transferred by contract but that cannot be derecognized (owing to a "continuing involvement") with the related liability that must be recorded. Moreover, there may be situations in which it is not easy to determine whether, under the present IAS 39 approach, there is or is not continuing involvement. This is the case, for example, with securitizations performed by some banks in which the transferor grants the transferee (the special purpose entity) a line of credit, sometimes guaranteed by a pledge of securities, for the sole purpose of giving the transferee who has issued the securities enough liquidity to handle the momentary cash needs stemming from imperfect matching between collection of the credits and payments to investors.

Moreover, the suggested approach seems to involve an inconsistency between the standards for the initial recognition, where reference is essentially to legal form and contractual terms, and those for the derecognition, where matters of substance are considered in an extremely stringent fashion. In practice, this creates a discontinuity between the derecognition of an asset by the transferor and its initial recognition by the acquirer.

It would be a clearer representation of the situation if the asset was derecognized in any case and a simultaneous recognition solely of the risk remaining with the vendor as a liability.

Another concern is para. 47, which provides that in the case of a partial transfer, the transferred asset is apportioned between the component for derecognition and the component to be retained on the basis of fair value on the transfer date. In such situations it is not clear whether the sale price can be used to determine the fair value, and no indication on how to make subsequent valuations is given.

Similarly, it is hard to understand para. 43, which considers the case in which the transferor retains the servicing of the transferred financial asset in exchange for remuneration that is deemed to be either lower or higher than necessary to compensate for the activity performed. It is not clear, in such situations, what is the reference standard to determine whether remuneration is lower or higher. Moreover, if the transferor has transferred all rights relating to the transferred asset and receives remuneration for its servicing from the transferee, it must be clarified whether the fair value measurement of the servicing activity as an asset or as a liability is or is not net of the remuneration to be received (if the intention of the provision is to show the lower or higher value of the activity performed by comparison with what is considered to be a reasonable remuneration, then one should record only the excess difference, on the liability side, or the receivable difference, on the asset side; as a consequence, if the remuneration is considered adequate to perform the activity, no entry should be made).

Having made these considerations, ABI agrees with EFRAG that the derecognition approach proposed is not consistent with the definitions of assets and liabilities set out in the framework, that it leads to the recognition of fictitious assets and liabilities in lieu of commitments and guarantees and that the standard therefore needs more work.

<u>Question 3</u>

The pass-through arrangements are certainly acceptable in allowing the derecognition of assets which, while forming part of the assets of a special purpose entity, actually go to pay investors.

However, it would be useful to specify that when the management of all the cash flows deriving from the asset and all the payment orders on the liabilities are both created by independent third parties and the transferor, by express contractual provision, does not share in any gains or losses from the management of said assets, derecognition applies to the asset as a whole and, in any case, entails its exclusion from the consolidated accounts.

Question 4

ABI agrees with EFRAG's answer.

Question 5

ABI considers that additional guidance should be provided on the concept of "active market," as this affects the method of calculating fair value. Also, there needs to be a clear definition of the provisions for the valuation of proprietary liabilities. Carrying these at fair value would entail taking gains to the profit and loss account in the presence of a worsening of the issuer's credit risk.

Question 6

We agree with the proposal for collective evaluation of financial assets, which even though previously assessed individually for impairment, were found not to be impaired. However, we believe that in this method it is more reasonable to base estimates on statistical data from past experience rather than the discounted value of cash flows. The use of expected cash flows appears as one possible methodology. Moreover, given the operational complexity of the procedure, it would appear to be more suitable for individually assessed items rather than groups of assets.

On this issue, we would like to see aligned the provisions of the IASB and those expected from the Basel Committee concerning the reform of the Capital Adequacy Accord's provisions in this area. In this regard, where credit risk management models have supervisory relevance and if these models comply with the requirements set by the supervisory authorities and are certified by internal control bodies, it is important that these models be usable as points of reference for balance sheet valuations.

Question 7

The change introduced by IASB precludes recognition in the profit and loss account of value write-ups resulting from the valuation of assets classified as available for sale that were written down in previous years but the reasons for which no longer exist, in that such recognition conflicts with the principles of valuation consistency and with the provisions of the other main accounting standards issued by IASB (IAS 2, IAS 8, IAS 16, IAS 38).

However, we do not understand the reasons for the change, which discriminates the accounting treatment of write-down reversals between debt or equity instruments versus credit claims originated by the firm.

For the same reason, we ask for the modification of para. 116 so that write-down reversals on unlisted shares are taken to the profit and loss account when the reason for their previous write-down no longer exists.

Question 8

We agree with EFRAG's answer.

The best solution is to take the hedged item (in this case the commitment) as the guide for the accounting treatment of the hedging instrument. In this situation the commitment would be recorded at fair value only if it were classified in the trading category or as available for sale. Alternatively, we propose giving the accountant the option of designating such hedges as either fair value hedges or cash flow hedges.

Question 9

On the issue of cash flow hedges, see our earlier remarks (section 2.1).

We agree with EFRAG's answer. The hedge of a future transaction, such as hedging an exchange rate risk on future goods purchases, has the purpose essentially of "crystallizing" the price against exchange rate variations and it thus seems more reasonable, in presenting the financial statements, to adjust the initial accounting measurement of the good by the amount of the gain or loss on the hedge (which was temporarily taken to equity), because that is the actual cost to the firm for the acquisition of the good.

The different accounting treatment for the purchase of a good for which risks are hedged compared with unhedged purchases is justified by the economic substance of the hedge.

Finally, note that the proposed accounting standard is very cumbersome in administrative terms.

Question 10

ABI does not agree with the approach of para. 171B under which previously derecognized assets that do not qualify under the new derecognition requirements must be recognized. We feel that this provision should apply only to transactions completed after the coming into effect of the standard, while transactions in previous years must continue to be treated according to the standards in effect in those years.

However, we favor the alternative suggested, in the IASB question, requiring the disclosure of the balances resulting from previous transactions for which derecognition is no longer allowed. It should also be specified that the disclosure is limited solely to the years presented in the financial statements for purposes of comparison.

4. COMMENTS ON ED IAS 32

Generally speaking, many of the issues involving disclosure have been dealt with in other documents already released or in course of preparation by international organizations.

So to provide for adequate and real disclosure transparency to readers of financial statements and not make the preparers' job too onerous, we would ask that the definitive version of IAS 32 adopt terminology and concepts
similar to and consistent with those set forth in recent years by the Basel Committee for banking supervision (for example, as regards the risk classifications in para. 43, the time period breakdown for information on interest rate risk in para. 64, and the effects of interest rate shocks in para. 65).

As for the qualitative and quantitative information required by ED IAS 32, there should be a clearer specification, possibly using clarifying and application information, of the way in which banks are to comply with the requirements. In this regard, reference is made to the detailed information contained in para. 47A and para. 49 and to the possible alternative between timely information and targeted information drawn from advanced risk management and control systems (VAR, shift analysis).

5. ANSWERS TO QUESTIONS ON ED IAS 32:

Question 1

Para. 19 of IAS 32 states that the classification of a financial instrument must be based on the substance of the contractual arrangements, adding to the original text the requirement that the classification should not consider probabilities of different manners of settlement.

The IASB asks for approval of this concept and the effects, for reasons of consistency, that the change would have on paras. 22 and 22A.

EFRAG replies that it does not support the proposed change to para. 19 and also criticizes the changes to paras. 22 and 22A.

ABI agrees with EFRAG's criticisms.

Question 2

The change to IAS 32 eliminates the option in para. 28 on the valuation of compound financial instruments, allowing only a single valuation standard.

EFRAG accepts the change, adding a comment on para. 17, although this is not formally asked for in Question 2.

In substance, ABI agrees with the EFRAG comment, raising the problem of the volatility that this approach would create in measuring the value of equity in the light of current supervisory regulations. The critique does not compromise the acceptance of the change but underscores the need for regulators to promptly examine the effects of the new valuation method.

As to the comment on para. 17, we agree with EFRAG, stressing the need, given the specificity of the issue, to supplement the comment with a request to include explanatory examples in para. 17.

Question 3

We agree with the introduction of the guidance (paras. 29C - 29G) on the classification of derivatives on one's own shares.

Question 4

ABI agrees with the adoption of a single comprehensive Standard, provided that the degree of comprehensiveness is safeguarded and that the calendar for the integration of the two existing standards is consistent with the need for the regulatory framework to be defined well in advanced of the 1 January 2005 deadline.

ABI

Specifically, we feel that for each category of financial instruments, there must be a consistent, comprehensive presentation of guidances on the issues of recognition/derecognition, measurement and disclosure.

Enclosure

Progetto IAS/Position paper/Osservazioni ABI IAS 32 – 39 inglese def
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