PRICEWATERHOUSECOOPERS

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Bruce Porter
Acting Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West VIC 8007

28 January 2009

Dear Bruce

Exposure Drafts ED 167, ED 168 and ED 172

I am enclosing copies of the PricewaterhouseCoopers responses to the following International Accounting Standards Board's Exposure Drafts:

- *Discontinued Operations: Proposed amendments to IFRS 5*
- *Additional Exemptions for First-time Adopters: Proposed amendments to IFRS 1*, and
- *Embedded Derivatives (Proposed Amendments to IFRIC 9 and IAS 39).*

The letters reflect the views of the PricewaterhouseCoopers network of firms and as such include our own comments on the matters raised in the Exposure Drafts.

We would welcome the opportunity to discuss our views at your convenience. Please contact me on (03) 8603 3868 if you would like to discuss this further.

Yours sincerely

Jan McCahey

Jan McCahey
Partner
Assurance

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

21 January 2008

Dear Sir

Exposure Draft: Embedded Derivatives proposed amendments to IFRIC 9 and IAS 39

We are pleased to respond to your invitation to comment on the above Exposure Draft (the 'Exposure Draft') on behalf of PricewaterhouseCoopers. Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of member firms who commented on the Exposure Draft. 'PricewaterhouseCoopers' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We agree with the proposals to require an entity to assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid (combined) financial asset out of the fair value through profit or loss category under the October 2008 amendment to IAS 39. These proposals will ensure consistent application of the principle in IAS 39 that derivatives, including non-closely related embedded derivatives, should be measured at fair value through profit or loss.

We have responded to the specific questions raised in the Invitation to Comment in the Exposure Draft in an Appendix to this letter.

If you have any questions in relation to this letter please do not hesitate to contact Richard Keys, PwC Global Chief Accountant (+44 20 7212 4555), or Pauline Wallace (+44 20 7804 1293).

Yours faithfully,

PricewaterhouseCoopers LLP

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APPENDIX

Question 1

The exposure draft clarifies that an entity must assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid (combined) financial asset out of the fair value through profit or loss category. Do you agree with that clarification? If not, why? What would you propose instead, and why?

We agree with the clarification as it will ensure consistent application of the principle that derivatives should be measured at fair value through profit or loss.

We have one suggestion for a minor wording change in paragraph 7 in part (b) in the second sentence: this should read "a reclassification of the contract..." to be consistent with the remaining words in the paragraph.

Question 2

The exposure draft requires the assessment to be made on the basis of the circumstances that existed when the entity first became a party to the contract. Do you agree with that proposal? If not, why? What would you propose instead, and why?

We agree that the assessment should be made on the basis of circumstances that existed when the entity first became a party to the contract. This is consistent with the implementation guidance in IFRS 1.IG55 which similarly requires that the entity look to the inception of the contract when reassessing the embedded derivative.

Question 3

The exposure draft proposes that if the fair value of an embedded derivative that would have to be separated cannot be reliably measured, the entire hybrid (combined) financial instrument must remain in the fair value through profit or loss category. Do you agree with that proposal? If not, why? What would you propose instead, and why?

We agree that if an entity is unable to separately measure the fair value of the embedded derivative then the entire instrument must remain in the fair value through profit or loss category. There should be no ability to reclassify a financial asset if the embedded derivative can not be reliably measured. This is also consistent with the implementation guidance in IFRS 1.IG55.

Question 4

Do you agree with the proposed effective date? If not, why? What would you propose instead, and why?

We agree with the proposed effective date. Whilst we would not normally support an effective date prior to the publication of an exposure draft, we believe it to be acceptable for the proposed amendment since the Board publicly made its intentions clear prior to the proposed effective date.

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Question 5
Are the transition requirements appropriate? If not, why? What would you propose instead, and why?

We agree that these proposals should be applied retrospectively. However for the avoidance of doubt the IASB should clarify that these requirements are essentially effective from the date when an entity first reclassified a financial asset subject to the reclassification amendment published in October 2008 which means at the earliest it will have to be applied from 1 July 2008.