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Australian Accounting Standards Board (AASB)

Dear Sir/Madam,

Response to ED/2010/13 and ED 208 *Hedge Accounting*

The Australian Bureau of Statistics (ABS) thanks the AASB for the opportunity to comment on the aforementioned exposure drafts (ED).

The ABS will continue to compile aggregate economic statistics on an unhedged basis as recommended by the internationally agreed statistical standard the 2008 System of National Accounts (2008 SNA), see some relevant quotations following.

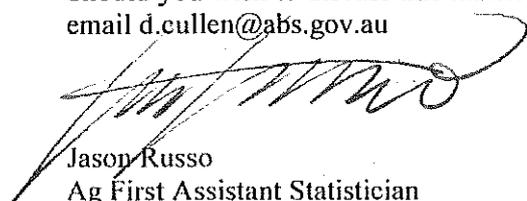
2008 SNA - "3.194 The SNA recommends gross recording apart from the degree of netting that is inherent in the classifications themselves...."

The SNA framework encourages the separate accounting for hedges in order to maintain its gross perspective, allowing for transparency in the motives of an entity's investment.

2008 SNA - "11.113 ...Transactions in financial derivatives should be treated as separate transactions, rather than as integral parts of the value of underlying transactions to which they may be linked. The two parties to the derivatives may have different motives for entering into the transaction. One may be hedging, while the other may be dealing in derivative instruments or acquiring the derivative as an investment. Even if both parties are hedging, they may be hedging transactions or risks that involve different financial assets or even transactions in different accounts. Therefore, if derivative transactions were treated as integral parts of other transactions, such treatment would lead to asymmetries of measurement in different parts of the accounts or to asymmetries of measurement between institutional sectors."

As a consequence the ABS will continue to seek data from providers in various economic data collections on an unhedged basis.

Should you wish to discuss this matter further please contact Derick Cullen on (02) 6252- 7139 or via email d.cullen@abs.gov.au


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