

26 March 2013

Mr Kevin Stevenson
Chairman, Australian Accounting Standards Board
PO Box 204, Collins Street, VIC 8007

Via e-mail: standard@asb.gov.au

Dear Kevin

Exposure Draft 236: Novation of Derivatives and Continuation of Hedge Accounting

Thank you for the opportunity to comment on the Exposure Draft 236: Novation of Derivatives and Continuation of Hedge Accounting (ED). CPA Australia and the Institute of Chartered Accountants in Australia (the Institute) have considered the ED and whilst we have not provided specific responses to the questions raised in the ED, we have provided our overall comments below.

CPA Australia and the Institute represent over 200,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

We do not agree with the proposed scope of the amendments as being limited to novations required by laws or regulations. Many novations may be encouraged, rather than mandated and we consider that relief should also be granted in these circumstances.

We accept that the purpose of the proposals is to further clarify the position (in relation to expiration or termination of a hedging instrument) in circumstances where laws or regulations mandate the novation of derivatives to a central counterparty. However, through the use of the words 'if and only if' in the proposed paragraph 91(a), we are concerned that other similar novation arrangements that may or may not be mandated continue to be excluded from the exception provisions.

We have recommended to the IASB that the amendments be extended to cover the novation of any existing derivative contract (mandatory or voluntary) that does not modify the critical terms (that impact the hedging relationship), other than a change in counterparty. Amending IAS 39 in this way will also allow for any voluntary novation arrangements that entities may enter into, in anticipation of the forthcoming mandatory requirements introduced by laws and regulations.

If you have any questions regarding this submission, please do not hesitate to contact either Ram Subramanian (CPA Australia) at ram.subramanian@cpaaustralia.com.au or Kerry Hicks (the Institute) at kerry.hicks@charteredaccountants.com.au

Yours sincerely



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