



Australian Government

Australian Accounting
Standards Board

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Mr Robert Garnett
Chairman – IFRIC
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Bob

Draft Interpretation D22
Hedges of a Net Investment in a Foreign Operation

The Australian Accounting Standards Board (AASB) has considered the proposals in IFRIC Draft Interpretation D22 and is pleased to provide its views in respect of the proposals for consideration by the IFRIC.

The draft Interpretation assists users in applying the Standards when accounting for hedges of net investments in foreign operations in clarifying:

- (i) the nature of the hedged risk for which a hedging relationship may be designated; and
- (ii) where within a group the hedging instrument that offsets the risk can be held.

Nature of the hedged risk for which a hedging relationship may be designated

The AASB agrees that presentation currencies do not create an economic exposure to changes in cash flows or fair value and therefore we support the proposals that the hedged risk that qualifies for designation in a hedging relationship is the risk to an entity arising from its exposure to the functional currency of the directly, or indirectly, held foreign operation.

Where within a group the hedging instrument that offsets the risk can be held

The AASB supports the proposals that the hedging instrument can be held by any entity within the group. As shown in Illustrative Examples 3A and 3B, the effectiveness of the hedging instrument is determined by reference to the functional currency of the parent and the entity whose functional currency creates the foreign currency exposure risk, and is not dependent on which entity within the group holds the hedging instrument.

Yours sincerely

David Boymal
Chairman