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Mr. Bart De Leeuw
Project Manager EFRAG
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21 September, 2004

Re : Exposure Draft of Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement (Cash Flow Hedge Accounting of Forecast Intragroup Transactions).

Dear Mr De Leeuw,

We are pleased to provide our comments on the Exposure Draft of Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement (Cash Flow Hedge Accounting of Forecast Intragroup Transactions).

Hedge accounting at a consolidated level can be applied only if the group as a whole is subject to exchange risk relative to transactions entered into by entities of the group with external parties.

This is true no matter what the functional currency of the consolidated balance sheet may be.

In the example indicated in point BC 2, the group has an exchange risk both in the case that its consolidated balance sheet be expressed in euro or in dollars because entity B has acquired its raw materials in euro and entity C shall sell the products, bought by entity B, in dollars.

For this reason we consider correct, as was pointed out by the EFRAG, to eliminate the limitation relative to the functional currency of the group.

Yours sincerely,

Prof. Angelo Provasoli
(OIC – Chairman)