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Re: Exposure Draft of Proposed Amendments to IFRS 7

Dear Sir/Madam,

we are pleased to have the opportunity to comment on the EFRAG Draft Comment Letter on the *Exposure Draft of Proposed Amendments to IFRS 7*. This letter is submitted in OIC's willingness to contribute to EFRAG's efforts to express its views on the Exposure Draft mentioned above.

Specific Issues

Question 1: Use of a fair value hierarchy—Do you agree with the proposal in paragraph 27A to require entities to disclose the fair value of financial instruments using a fair value hierarchy? If not, why?
Question 2: Proposed three-level hierarchy—Do you agree with the three level hierarchy as set out in paragraph 27A? If not, why? What would you propose instead and why?

The IASB mainly proposes to add the following disclosures regarding the fair value measurement using the mark-to-model:

1) detailed descriptions of any changes in the features of the valuation model and the reasons why the entity decided to change the valuation technique (paragraph 27); and
2) the three-level-hierarchy of fair value measurement (paragraph 27A), which are:
    - level 1, quoted prices in an active market for the same instrument;
    - level 2, quoted prices for similar instruments or other valuation techniques for which all significant inputs are based on observable market data, and
    - level 3, valuation techniques for which any significant input is not based on observable market data.

Generally, we agree with the IASB's proposal to require in the IFRS 7, paragraph 27A, disclosures on the fair value measurement following the three-level-hierarchy. The use of this hierarchy would help users to assess the reliability of the specific assumptions under the valuation techniques.

Question 3: Required disclosures—Do you agree with the proposals in:
(a) Paragraph 27B to require expanded disclosures about the fair value measurements recognised in the statement of financial position? If not, why? What would you propose instead, and why?
(b) Paragraph 27C to require entities to classify, by level of the fair value hierarchy, the disclosures about the fair value of the financial instruments that are not measured at fair value? If not, why? What would you propose instead, and why?

Paragraph 27B of the Exposure Draft would require expanded disclosure about the fair value of financial instruments measured at fair value in the statement of financial position. Additionally, paragraph 27C would require limited disclosure about the fair value of financial instruments not measured at fair value in the statement of financial position.

We agree with the IASB's proposal, except for the proposed disclosures on the sensitivity analysis. From our point of view, such analysis in this context could not be an efficient choice. Based on the cost-benefit analysis, the choice would lead to a more than proportionate increase of reporting costs in excess of the potential benefits from an expanded disclosure: in some cases it would risk to misrepresent the manager's judgement about the choice of certain input instead of others.

Because of the same reasons, we disagree with the EFRAG's proposal to extend the application of the paragraph 27B to financial instruments either not recognised in the statement of financial position or recognised in the statement of financial position but not measured at fair value.

Question 4 and question 5: Maturity analyses—Do you agree with the proposal in paragraph 39(a) to require entities to disclose a maturity analysis based on how the entity manages the liquidity risk associated with such instruments? If not, why? What would you propose instead, and why?

The IASB is proposing to modify paragraph 30 of the IFRS 7. The following amendments to the disclosure requirements are proposed in the Exposure Draft:

- for derivative financial liabilities, to require a maturity analysis based on how the entity manages the liquidity risk associated with such instruments ("with the eyes of management");
- for non-derivative financial liabilities, to introduce the foregoing maturity analysis based on expected maturity ("with the eyes of management") in support of the current contractual maturity analysis.

We fully agree with the proposal to introduce the disclosure requirement on the liquidity risk associated with the derivative and non-derivative financial liabilities.

On the other hand, we believe that it would be better not to distinguish between derivative and non-derivative because we do not see any particular reasons to exclude the contractual maturity from the maturity analysis of the derivative financial liabilities.

Therefore, we propose to require the same disclosure for both types of instruments, that is to introduce the maturity analysis based on expected maturity and to maintain the current contractual maturity analysis, also for the derivative financial instruments, if a contractual maturity is available.

Question 7 and 8: Definition of liquidity risk—Do you agree with the proposed effective date? If not, why not? What would you propose instead, and why? Are the transition requirements appropriate? If not, why? What would you propose instead, and why?

The IASB proposes July 1, 2009 as the transition date for the amendments, while encouraging an earlier application.

We are conscious of the significant effort spent by the entities in adjusting their own accounting system and their internal procedures. Coherently, the IASB proposes such a transition date to facilitate the entities in the changeover. At the same time we notice that a specific timing coordination with the recent Amendments to IAS 39 regarding the Reclassification of financial assets should be established. In particular, we refer to the disclosure requirements regarding the "judgement" with which the management should determine whether a market is no longer active and, more generally, when and how to move along the three-level-hierarchy of fair value measurement. This principle was clarified by the IASB Expert Advisory Panel in its October document with the aim of supporting the entities in the reclassification permitted by the recent Amendments to IAS 39. Because of this, we do believe that the disclosure requirements in object should have as a transition date July 1, 2008.

Yours sincerely,

Angelo Casò

(OIC Chairman)