

1 April 2011

**IASB
Comment Letters
30 Cannon Street
London, EC4M 6XH
United Kingdom**

Dear Sir David Tweedie,

Subject: Supplement to Exposure Draft ED/2009/12 “Financial Instruments: Amortized Cost and Impairment”

I am writing on behalf of the Universidad de Chile’s IFRS Technical Committee to comment on the referenced supplementary document.

We agree with an expected loss model to provide for the credit risk of financial assets at amortized cost and, at the same time we suggest to introduce better instructions regarding the operationality of the ED.

Our answers to the first 9 questions are the following:

General

Question 1

Do you believe the approach for recognition of impairment described in this supplementary document deals with this weakness (i.e. delayed recognition of expected credit losses)? If not, how do you believe the proposed model should be revised and why?

Answer (Question 1):

We believe the approach for recognition of impairment described in this document deals effectively with the weakness of delayed recognition of expected credit losses.

Scope – Open Portfolios

Question 2

Is the impairment model proposed in the supplementary document at least as operational for closed portfolios and other instruments as it is for open portfolios? Why or why not?

Although the supplementary document seeks views on whether the proposed approach is suitable for open portfolios, the boards welcome any comments on its suitability for single assets and closed portfolios and also comments on how important it is to have a single impairment approach for all relevant financial assets.

Answer (Question 2):

Even though we believe the impairment model as proposed in the supplementary document will be as operational for closed portfolios as it is for open portfolios, it’s important to consider that sometimes the characteristics of certain single assets could not be adequately suited by this model. The model proposed must not only be operational, but it must be efficient, too.

Differentiation of credit loss recognition

Question 3

Do you agree that for financial assets in the ‘good book’ it is appropriate to recognize the impairment allowance using the approach described above? Why or why not?

Question 4

Would the proposed approach to determining the impairment allowance on a time-proportional basis be operational? Why or why not?

Question 5

Would the proposed approach provide information that is useful for decision-making? If not, how would you modify the proposal?

Answer (Questions 3, 4 and 5):

We believe that the two calculations are operational, even though it'll be necessary to establish a more precise definition for both, good and bad books. We believe that the principle for how to determine whether a financial asset should be in the bad book is not so clear.

We believe that providing information on expected credit losses model is useful for decision-making.

Question 6

Is the requirement to differentiate between the two groups (ie 'good book' and 'bad book') for the purpose of determining the impairment allowance clearly described? If not, how could it be described more clearly?

Answer (Questions 6):

Yes, the requirement to differentiate between the two groups is clearly described. Even though, we believe that more than two groups should be available to separate assets with diverse characteristics.

Question 7

Is the requirement to differentiate between the two groups (ie 'good book' and 'bad book') for the purpose of determining the impairment allowance operational and/or auditable? If not, how could it be made more operational and/or auditable?

Answer (Question 7):

Yes, we believe the requirement to differentiate between the two groups is operational and auditable. But, as we have answered in question 6, it'll be more efficient to separate assets in more than three groups.

Question 8

Do you agree with the proposed requirement to differentiate between the two groups (ie 'good book' and 'bad book') for the purpose of determining the impairment allowance? If not, what requirement would you propose and why?

Answer (Question 8):

Yes, we agree with the proposed requirement to differentiate between the two groups. This is part of our existing practice and is useful for internal credit risk management purposes and the readers of the accounts.

Minimum Allowance - Floor

Question 9

The boards are seeking comment with respect to the minimum allowance amount (floor) that would be required under this model. Specifically, on the following issues:

(a) Do you agree with the proposal to require a floor for the impairment allowance related to the 'good book'? Why or why not?

(b) Alternatively, do you believe that an entity should be required to invoke a floor for the impairment allowance related to the 'good book' only in circumstances in which there is evidence of an early loss pattern?

(c) If you agree with a proposed minimum allowance amount, do you further agree that it should be determined on the basis of losses expected to occur within the foreseeable future (and no less than twelve months)? Why or why not? If you disagree, how would you prefer the minimum allowance to be determined and why?

(d) For the foreseeable future, would the period considered in developing the expected loss estimate change on the basis of changes in economic conditions?

(e) Do you believe that the foreseeable future period (for purposes of a credit impairment model) is typically a period greater than twelve months? Why or why not? Please provide data to support your response, including details of particular portfolios for which you believe this will be the case.

(f) If you agree that the foreseeable future is typically a period greater than twelve months, in order to facilitate comparability, do you believe that a 'ceiling' should be established for

determining the amount of credit impairment to be recognized under the 'floor' requirement (for example, no more than three years after an entity's reporting date)? If so, please provide data and/or reasons to support your response.

Answers (Question 9a, 9b, 9c, 9d, 9e and 9f):

- (a) Yes, but we believe that, as in the Chilean experience for bank industries, the floor must be established by the regulator.
- (b) No, we believe that the use of the floor should be applied without restrictions.
- (c) Even though we believe that the minimum amount could be determined on the basis of losses expected to occur within the foreseeable future, it could consider periods longer or shorter than twelve months.
- (d) We believe that the 'foreseeable future' period is likely to be shorter or longer than twelve months.
- (e) We believe the foreseeable future period will be different between assets.
- (f) We believe it's not prudent to establish a ceiling for determining the credit losses.

We would like to thank the Board for the opportunity to answer to this questionnaire, even though we have just answered only 9 questions.

If you have any questions related to our response, please contact Leonardo Torres at this e-mail's address.