April 1, 2011

International Accounting Standards Board (IASB)
1st Floor, 30 Cannon Street,
London EC4M 6XH
United Kingdom

Financial Accounting Standards Board (FASB)
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
Via e-mail: director@fasb.org

Subject: Comments on the Supplement to Exposure Draft, “Financial Instruments: Impairment”

Dear Sir/Madam:

We appreciate the opportunity given to us to comment on Financial Instruments: Impairment, a supplement to the exposure draft Financial Instruments: Amortised Cost and Impairment. We also applaud the FASB and the IASB for joining forces to present a common proposal, and we highly encourage them to pursue their efforts along these lines.

Hydro-Québec is a government-owned corporation whose mission under its governing statute is to supply power and to pursue endeavors in energy-related research and promotion, energy conversion and conservation, and any field connected with or related to power or energy. It generates, transmits and distributes electricity for Québec and sells its surpluses on wholesale markets in northeastern North America. Its main financial assets measured at amortized cost are accounts receivable related to its electricity sales activities.

The proposals in the supplement focus on accounting for the impairment of financial assets measured at amortized cost, if they are managed on an open portfolio basis; they also address the impairment model for these receivables and the timing of the recognition of the provision. Since our corporation has almost essentially only short-term receivables or financial assets managed on a closed portfolio basis as financial assets measured at amortized cost, our comments will concern only on the scope of the proposals (addressed in question 2).

We agree with the principle of an impairment model based on expected credit losses. However, we strongly disagree with extending this rather complex model to other financial instruments not covered by the supplement, including short-term receivables with no stated interest.

As we understand the scope of the supplement, the proposed model would apply mainly to loan portfolios held by financial institutions with, in fact, particular complexities. However, since these entities need to comply with additional regulatory requirements (e.g. Basel Accords), they probably already have very elaborate IT systems that could apply a complex approach like the one proposed in the supplement. These entities also have the necessary accounting processes developed, as well as the human resources needed to monitor open portfolios of financial assets.
For short-term receivables, we would also like to ensure that the practical expedients proposed in the first exposure draft of December 2009 remain applicable. We agreed with this proposal that make it easier to calculate the amortized cost of a financial asset in certain cases. We also continue to maintain, for example, that using historical data and statistics to establish the provision for revenue-related receivables provides, in our opinion, a fair and very valid provision. In addition, these practical expedients allow the use of less complex, less sophisticated and hence less costly tools while meeting the initial objective of ensuring the timely recognition of expected losses on financial assets.

Yours truly,

Lise Croteau, FCA
Vice President – Accounting and Control
Hydro-Québec