

Mr. Russell G. Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

November 2010

Dear Mr Golden

<u>Accounting Standards Update: Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities</u>

File Reference No: 1810-100

RESPONSE OF CONFEDERATION OF BRITISH INDUSTRY

The Confederation of British Industry (CBI) is the premier voice of UK business.

We are pleased to offer some brief comments on the FASB's proposals.

We strongly support efforts to improve accounting for financial instruments, if there are to be well-functioning global capital markets.

We have been looking to the IASB and the FASB to develop a single financial reporting model for financial instruments as part of the efforts to achieve convergence in this important area of financial reporting. We must therefore express disappointment and concern that the FASB and the IASB are now developing divergent models for financial instruments.

CBI members do not support the FASB direction of travel towards requiring full fair value in all circumstances, and they strongly prefer the IASB approach for financial assets and liabilities as reflected in IFRS 9.



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In addition, the credit impairment models being proposed by the two boards differ in important respects. Whilst we agree with the move to the expected loss model for impairments, we do not agree with the FASB proposal to assume that the existing conditions at the balance sheet date will remain unchanged and to take no account of future anticipated impairments.

Finally we are concerned that the IASB is currently deliberating an approach to hedge accounting that is different from that in the FASB proposals.

Accordingly, if the development of a common set of high-quality global accounting standards is to be achieved, the accounting for financial instruments must be a key area of focus. Indeed, the G20 regards this as the most important area of convergence. Therefore we look forward to much closer harmonisation of the FASB proposals for US GAAP with the IASB's approach to developing IFRS.

We hope that these comments are helpful.

Yours sincerely

BILL HICKS

Chairman, CBI Financial Reporting Panel