ISDA®

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19th January 2009

International Accounting Standards Board
1st Floor
30 Cannon Street
London
EC4M 6XH

Ref.: Exposure Draft (ED) on "Embedded Derivatives" Proposed Amendments to IFRIC 9 and IAS39

Dear Sirs,

The International Swaps and Derivatives Association ("ISDA") is pleased to provide the following comments with respect to the above mentioned ED issued by the International Accounting Standards Board ("IASB").

ISDA has over 840 member institutions from 56 countries on six continents. These members include most of the world's major institutions that deal in privately negotiated derivatives, as well as many of the businesses, governmental entities and other end users that rely on over-the-counter derivatives to manage efficiently the financial market risks inherent in their core economic activities. As such, we believe that ISDA brings a unique and broad perspective to the work of the IASB.

In this letter we outline our key messages in response to the Exposure Draft and in the Appendix we provide our more detailed responses to the specific questions.

Key Messages:

- We are fully supportive of the proposed amendments to IFRIC 9 and IAS 39. If financial assets are reclassified that contain embedded derivatives we agree that these should be bifurcated.

We hope you find ISDA's comments useful and informative. Should you have any questions or would like clarification on any of the matters raised in this letter please do not hesitate to contact the undersigned.

Yours Sincerely,

Charlotte Jones
Deutsche Bank AG
Chair, European Accounting Policy Committee

Antonio Corbi
International Swap and Derivatives Association
Risk and Reporting

Attachments:

Appendix – Responses to specific questions raised by the IASB

Appendix – Responses to specific questions raised by the IASB

Question 1
The exposure draft clarifies that an entity must assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid (combined) financial asset out of the fair value through profit or loss category. Do you agree with that clarification? If not, why? What would you propose instead, and why?

ISDA agree with the clarification. If a hybrid financial asset is reclassified from trading then any embedded derivative which would have required bifurcation should be bifurcated and measured at fair value through profit or loss.

Question 2
The exposure draft requires the assessment to be made on the basis of the circumstances that existed when the entity first became a party to the contract. Do you agree with that proposal? If not, why? What would you propose instead, and why?

We agree with the proposal.

Question 3
The exposure draft proposes that if the fair value of an embedded derivative that would have to be separated cannot be reliably measured, the entire hybrid (combined) financial instrument must remain in the fair value through profit or loss category. Do you agree with that proposal? If not, why? What would you propose instead, and why?

We agree with the proposal.

Question 4
Do you agree with the proposed effective date? If not, why? What would you propose instead, and why?

ISDA agree with the proposed effective date.

Question 5
Are the transition requirements appropriate? If not, why? What would you propose instead, and why?

We agree with the proposed transition requirements.