

Introduction and Invitation to Comment

In this exposure draft the International Accounting Standards Board proposes to amend IAS 39 *Financial Instruments: Recognition and Measurement* to remove the perceived conflict between paragraph 73 and the requirements of IFRS 8 *Operating Segments*.

The Board invites comments on the proposed amendment to IAS 39. It would particularly welcome answers to the question set out below. Comments are most helpful if they contain a clear rationale and, when applicable, provide a suggestion for alternative wording.

The Board is not requesting comments on matters in IAS 39 not addressed in the exposure draft.

Question

Do you agree with the proposal to amend paragraph 73 of IAS 39 to remove the references to segments and segment reporting? If not, why?

Proposed amendment to IAS 39 *Financial Instruments: Recognition and Measurement*

In the Standard, paragraph 73 is amended (deleted text is struck through)

Hedging

Hedging instruments

Qualifying instruments

73 For hedge accounting purposes, only instruments that involve a party external to the reporting entity (ie external to the group, ~~segment~~ or individual entity that is being reported on) can be designated as hedging instruments. Although individual entities within a consolidated group or divisions within an entity may enter into hedging transactions with other entities within the group or divisions within the entity, any such intragroup transactions are eliminated on consolidation. Therefore, such hedging transactions do not qualify for hedge accounting in the consolidated financial statements of the group. However, they may qualify for hedge accounting in the individual or separate financial statements of individual entities within the group ~~or in segment reporting~~ provided that they are external to the individual entity ~~or segment~~ that is being reported on.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, the draft amendment.

Segment reporting

BC1 Paragraph 73 of IAS 39 refers to the need for hedging instruments to involve a party external to the reporting entity. In doing so, it uses a segment as an example of a reporting entity. IFRS 8 *Operating Segments* requires disclosure of information that is reported to the chief operating decision maker even if this is on a non-GAAP basis. Therefore, the two standards appear to be in conflict. The Board proposes to remove from paragraph 73 references to the designation of hedging instruments at the segment level.