

2 April 2013

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom

Dear Mr Hoogervorst

**EXPOSURE DRAFT ED/2013/2 – NOVATION OF DERIVATIVES AND
CONTINUATION OF HEDGE ACCOUNTING (PROPOSED AMENDMENTS TO
IAS 39 AND IFRS 9)**

The Malaysian Accounting Standards Board (MASB) welcomes the opportunity to provide comments on the IASB Exposure Draft on Novation of Derivatives and Continuation of Hedge Accounting (Proposed amendments to IAS 39 and IFRS 9).

We support the proposals outlined in the Exposure Draft and our detailed responses are enclosed in the Appendix of this letter.

If you need further clarification, please contact Ms Christine Lau at +603 2240 9200 or by email at christine@masb.org.my.

Thank you.

Yours sincerely,



MOHAMMAD FAIZ AZMI
Chairman

QUESTION 1

The IASB proposes to amend IAS 39 so that the novation of a hedging instrument does not cause an entity to discontinue hedge accounting if, and only if, the following conditions are met:

- (i) the novation is required by laws or regulations;
- (ii) the novation results in a central counterparty (sometimes called 'clearing organisation' or 'clearing agency') becoming the new counterparty to each of the parties to the novated derivative; and
- (iii) the changes to the terms of the novated derivative arising from the novation of the contract to a central counterparty are limited to those that are necessary to effect the terms of the novated derivative. Such changes would be limited to those that are consistent with the terms that would have been expected if the contract had originally been entered into with the central counterparty. These changes include changes in the collateral requirements of the novated derivative as a result of the novation; rights to offset receivables and payables balances with the central counterparty; and charges levied by the central counterparty.

Do you agree with this proposal? If not, why? What criteria would you propose instead, and why?

We agree with the above proposals.

QUESTION 2

The IASB proposes to address those novations arising from current changes in legislation or regulation requiring the greater use of central counterparties. To do this it has limited the scope of the proposed amendments to a novation that is required by such laws or regulations. Do you agree that the scope of the proposed amendment will provide relief for all novations arising from such legislation or regulations? If not, why not and how would you propose to define the scope?

We agree that the proposed amendment will provide relief for novations arising from legislations or regulations.

QUESTION 3

The IASB also proposes that equivalent amendments to those proposed for IAS 39 be made to the forthcoming chapter on hedge accounting which will be incorporated in IFRS 9 Financial Instruments. The proposed requirements to be included in IFRS 9 are based on the draft requirements of the chapter on hedge accounting, which is published on the IASB's website. [See the draft of the forthcoming hedge accounting requirements posted on the IASB website on 7 September 2012 (<http://go.ifrs.org/Draft-of-forthcoming-IFRS-general-hedge-accounting>)]

Do you agree? Why or why not?

We agree with the proposal.

QUESTION 4

The IASB considered requiring disclosures when an entity does not discontinue hedge accounting as a result of a novation that meets the criteria of these proposed amendments to IAS 39. However, the IASB decided not to do so in this circumstance for the reason set out in paragraph BC13 of this proposal.

Do you agree? Why or why not?

We agree with the proposal not to require additional disclosure.