



MALAYSIAN ACCOUNTING STANDARDS BOARD  
LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA

21 January 2009

Sir David Tweedie  
Chairman  
International Accounting Standards Board (IASB)  
30 Cannon Street  
London ED 4M 6 XH  
United Kingdom

Dear Sir David

**IASB EXPOSURE DRAFT OF EMBEDDED DERIVATIVES - PROPOSED AMENDMENTS  
TO IFRIC 9 AND IAS 39**

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The Malaysian Accounting Standards Board welcomes the opportunity to provide comments to the IASB on Exposure Draft of Embedded Derivatives - Proposed Amendments to IFRIC 9 and IAS 39.

We commend the effort of the Board to clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the "fair value through profit or loss" (FVTPL) category. Generally, we agree with the Board's proposal that when an entity reclassifies a hybrid (combined) financial asset out of the FVTPL category, it shall assess whether the embedded derivative is to be separated from the host contract. We also agree that if the fair value of the embedded derivative that would have to be separated cannot be reliably measured, the entire hybrid financial asset must remain in the FVTPL category.

However, we disagree that with the proposal of IFRIC 9 paragraph 7A that the assessment is to be made on the basis of the circumstances that existed when the entity first became a party to the contract. We believe the assessment should be made on the basis of the circumstances that exist at the time the hybrid financial asset is reclassified out of the FVTPL category.

As the reclassification out of the FVTPL is only allowed if there is a change in intention and on rare circumstances under the revised IAS 39, the circumstances that have caused or allowed the entity to reclassify must be momentous and hence the same circumstances should be used as the basis for reassessment of the embedded derivative involved, including the valuation required for bifurcation purposes. The circumstances that had existed on day-one will be outdated and also less relevant.

If you need further clarification, please contact Dr Nordin Mohd Zain at +603 2240 9200 or email at [nordin@masb.org.my](mailto:nordin@masb.org.my) or [beeleng@masb.org.my](mailto:beeleng@masb.org.my)

Thank you.

Yours sincerely,

Dato' Zainal Abidin Putih  
Chairman