new york state society of
NYSSCPA
certified public accountants

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August 7, 2009

Mr. Christian Kusi-Yeboah
Project Manager
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

By e-mail: ckusiyeboah@iasb.org

Re: Exposure Draft – Derecognition - Proposed Amendments to IAS 39 and IFRS 7

Dear Mr. Kusi-Yeboah:

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's International Accounting and Auditing Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact William M. Stocker III, Chair of the International Accounting and Auditing Committee at (212) 503-8875, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

David J. Moynihan
President

Attachment

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NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

EXPOSURE DRAFT: DERECOGNITION - PROPOSED AMENDMENTS TO IAS 39 AND IFRS 7

August 7, 2009

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Richard C. Jones
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New York State Society of Certified Public Accountants

Comments on

Exposure Draft – Derecognition - Proposed Amendments to IAS 39 and IFRS 7

The New York State Society of Certified Public Accountants thanks the International Accounting Standards Board (the Board) for the opportunity to comment on the Exposure Draft – Derecognition - Proposed Amendments to IAS 39 and IFRS 7 (the Exposure Draft).

General Comments

We have reviewed the Exposure Draft and present our responses to each of the Board's questions below. We have repeated each question posed, followed by our response.

We are generally in agreement with the direction taken by the Board regarding derecognition of financial assets and its move toward convergence with the FASB Standard No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. However, as reflected in our responses below, we have the following concerns:

- A lack of consistency in defining the principles between financial assets and financial liabilities exists;
- It is a substantially a "risks and rewards" approach and not a "control" one, contrary to what is stated in IN11;
- Certain Board definitions are ambiguous and warrant revision.

As we move toward standards that reflect a more comprehensive principles-based approach, we appreciate the opportunity to provide our comments.

Specific Comments

Question 1:
Do you agree that the determination of the item (i.e., the Asset) to be evaluated for derecognition and the assessment of continuing involvement should be made at the level of the reporting entity (see paragraphs 15A, AG37A and AG47A)? If not, why? What would you propose instead, and why?

Response:
We agree with the Board's proposal.

Question 2:
Do you agree with the criteria proposed in paragraph 16A for what qualifies as the item (i.e., the Asset) to be assessed for derecognition? If not, why? What criteria would you propose instead, and why?

Response:
We agree with the Board's proposal.

Question 3:
Do you agree with the definition of a transfer proposed in paragraph 9? If not, why? How would you propose to amend the definition instead, and why?

Response:
We generally agree with the definition proposed by the Board except as it relates to the phrase "…passes, or agrees to pass…" Jurisdictional legal definitions may result in different interpretations such that in some locales, a 'transfer' will have occurred, while in others it will not have passed. We propose wording such as "…passes, effectively passes, or has legally passed…"

Question 4:
Do you agree with the 'continuing involvement' filter proposed in paragraph 17A(b), and also the exceptions made to 'continuing involvement' in paragraph 18A? If not, why? What would you propose instead, and why?

Response:
We agree with the Board's proposal. However, as discussed below in response to question 8, we contend that the proposed approach is consistent with a "risks and rewards" model for addressing continuing involvement rather than the "control" model discussed in ED 10.

Question 5A:
Do you agree with the proposed 'practical ability to transfer' derecognition test in paragraph 17A(c)? If not, why? What would you propose instead, and why?

Response:
We generally agree with the Board's proposed test; however, we suggest revising the language to something such as "… practical ability without obtaining approval from the transferor…"

Question 5B:
Do you agree with the 'for the transferee's own benefit' test proposed as part of the 'practical ability to transfer' test in paragraph 17A(c)? If not, why? What would you propose instead, and why?

Response:
We agree with the Board's proposal.

Question 6:
Do you agree with the proposed accounting (both recognition and measurement) for an interest retained in a financial asset or a group of financial assets in a transfer that qualifies for derecognition (for a retained interest in a financial asset or group of financial assets, see paragraph 21A; for an interest in a financial asset or group of financial assets retained indirectly through an entity, see paragraph 22A)? If not, why? What would you propose instead, and why?

Response:
We agree with the Board's proposal.

Question 7A:
Having gone through the steps/tests of the proposed approach to derecognition of financial assets (Questions 1–6), do you agree that the proposed approach as a whole should be established as the new approach for determining the derecognition of financial assets? If not, why?

Response:
We agree with the Board's proposed approach.

Question 7B:
Do you believe that the alternative approach set out in the alternative views should be established as the new derecognition approach instead, and, if so, why? If not, why? What alternative approach would you propose instead, and why?

Response:
We do not believe the alternative approach should be adopted, but the matter may need to be reconsidered upon finalization of ED10.

Question 8A:
In December 2008, the Board issued an exposure draft ED 10 *Consolidated Financial Statements*. As noted in paragraphs BC28 and BC29, the Board believes that its proposed approach to derecognition of financial assets in this exposure draft is similar to the approach proposed in ED 10 (albeit derecognition is applied at the level of assets and liabilities, whereas consolidation is assessed at the entity level.) Do you agree that the proposed derecognition and consolidation approaches are compatible? If not, why?

Response:
Except as discussed in response to 8B below, we agree with the Board's assessment that they are comparable.

Question 8B:
Should the Board consider any other aspects of the proposed approaches to derecognition and consolidation before it finalises the exposure drafts? If so, which ones, and why?

Response:
The Board should consider supplementing the guidance to address explicitly the effect of changes in control, in addition to the "risks and rewards" approach taken. As outlined in the alternative approach, while the Board states that it has adopted a "control approach," it is primarily, a "risks and rewards" approach which substantially achieves the objectives stated. There may be instances in which control has passed, but such a transfer does not meet the criteria proposed and would not be derecognized.

Question 8C:
If the Board were to consider adopting the alternative approach, do you believe that that approach would be compatible with the proposed consolidation approach?

Response:
We find the alternative approach and the model of consolidation discussed in ED 10 too disparate to compare. However, we believe that, as compared with the derecognition model preferred by a majority of the Board, the alternative approach has less characteristics devoted to control over the "transferred" asset, in favor of rights to the cash flows associated with that asset.

Question 9:
Do you agree with the proposed amendments to the principle for derecognition of financial liabilities in paragraph 39A? If not, why? How would you propose to amend that principle instead, and why?

Response:
We do not agree with the proposed amendment in paragraph 39A. The principle should be substantially similar to that for financial assets in paragraph 17A. We do not believe revising the principle in such a manner would result in substantially different treatment; but, rather, that consistent principles would more likely be applied appropriately in practice.

Question 10:
Do you agree with the proposed amendments to the transition guidance in paragraphs 106 and 107? If not, why? How would you propose to amend that guidance instead, and why?

Response:
We agree with the Board's proposed amendments.

Question 11:
Do you agree with the proposed amendments to IFRS 7? If not, why? How would you propose to amend those requirements instead, and why?

Response:
We agree with the Board's proposed amendments.