Rådet för finansiell rapportering

The Swedish Financial Reporting Board

RFR-rs 2009:22

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sirs,

Re: Exposure Draft ED/2009/10 Discount Rate for Employee Benefits: Proposed amendments to IAS 19

The Swedish Financial Reporting Board is responding to your invitation to comment on the International Accounting Standard Board's Exposure Draft ED/2009/10 Discount Rate for Employee Benefits.

Strong agreement with the proposal regarding the amended guidance on the discount rate

As you are aware, we have issued a letter to you on 20 April 2009 that explains the Swedish concerns about the current guidance in IAS 19 with regard to the determination of the discount rate in countries where there is no deep market in corporate bonds. Therefore, we are very pleased that the IASB has now decided to solve this urgent problem.

Swedish companies have been forced to recognize pension obligations at amounts that are significantly larger than corresponding pension obligations in countries where there is a deep market in corporate bonds. This situation has arisen due to the fact that we do not have a deep market in corporate bonds in Sweden, and therefore have been forced to utilize a very low government bond rate when determining the discount rate. The significant widening of the spread between yields on corporate bonds and yields on government bonds as a result of the global financial crisis has considerably increased the problem and has caused considerable further complaints from Swedish constituents, and have also further decreased comparability in financial statements between entities in different jurisdictions. We also strongly believe that it is important to finalize these amendments in time for early adoption by entities with December 2009 year-ends, in order to create a level playing field between countries that do not have deep markets in corporate bonds and those countries that do have such markets.

Accordingly, we believe the IASB's decision to amend the guidance in determining the discount rate will enhance the quality and usefulness of financial information provided to the primary users of the consolidated financial statements.

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Transition treatment

We believe that the change in the discount rate that this amendment will cause should be treated as a change in accounting estimate, rather than as a change in accounting policy as proposed in the ED. We think the intent of IAS 19 all along has been to require the discount rate to be the yield on high quality corporate bonds; the government bond rate was to be used only as a proxy for the high-quality corporate bond rate. In our view, the accounting policy is therefore to use either the high-quality corporate bond rate or something that approximates to that rate. As the ED is proposing that the government bond rate should no longer be regarded as an adequate proxy, it is not in our view proposing a change in accounting policy. Rather, we think that the change should be viewed as a change in accounting estimate resulting in an actuarial gain or loss. This would mean that the change would be accounted for in exactly same way as other changes in the discount rate. It is also worth mentioning that paragraph 35 in IAS 8 states that when it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate.

Finally, the proposed amendments should be applied prospectively, like all other changes in accounting estimates.

In summary, our views on these proposals are as follows:

- We support the amended guidance as to the determination of the discount rate.
- The amendment should be treated as a change in accounting estimate, and similar to other changes in discount rates, the effect of the change should be recognized as an actuarial gain or loss.

If you have any questions concerning our comments please address our Executive member Carl-Eric Bohlin by e-mail to: carl-eric.bohlin@radetforfinansiellrapportering.se

Stockholm, September 28, 2009

Kind regards,

Anders Ullberg
Chairman

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