

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

Dear Sirs,

## **Re: Request for Information ('Expected Loss Model') Impairment of Financial Assets: Expected Cash Flow Approach**

This is the Swedish Financial Reporting Board's response to your request for information regarding the IASB's work on impairment and more specifically on the Expected cash flow approach.

We do not support the implementation of an expected cash flow approach for impairments as proposed. The benefits of such approach would not at all be near to compensate for the efforts that preparers would incur in applying such model for individual financial assets. Furthermore, we fail to see the merit in an expected loss model for individual assets. The model as such is a portfolio model and should therefore, if implemented, be used for portfolios of assets rather than to individual assets. We believe that the present IAS 39 already requires such a methodology based on historical loss experience (collective impairment test for individual assets).

The description of the actual performance during a period is best represented by just including the actual credit losses for the period. Information regarding the inherent credit risk in the portfolio should instead be captured by relevant disclosure requirements. E.g. banks using the internal models for capital adequacy calculations already deduct the expected loss in the portfolio from their capital base if that amount exceeds the aggregated credit loss provisions. Such capital adequacy numbers are regularly disclosed by banks.

The IFRS financial statements should consequently not be distorted by provisions that aim at creating buffers for future expected losses. These kind of buffers (if considered necessary) should instead be created using the solvency regulations for regulated entities.

To summarise, our view is as follows:

- The approach is clearly defined in the request for information
- We consider that the approach is not operational
- An expected loss model should not be implemented

# Rådet för finansiell rapportering

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](mailto:carl-eric.bohlin@radetforfinansiellrapportering.se).

Stockholm, September 17, 2009

Kind Regards,



Anders Ullberg  
Chairman