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Dear M Flores

**Impact of the IFRS 9, *Financial Instruments* Hedge Accounting Review Draft: on existing macro hedge accounting**

We are pleased to have the opportunity to provide our comments on EFRAG's consultation on the Impact of the IFRS 9 Financial Instruments Hedge Accounting Review Draft on current macro hedge accounting practices.

Please note that Barclays does not presently use the EU 'carve-out' regarding macro hedge accounting and therefore we are not directly affected by its interaction with IFRS 9.

Whilst our cash flow hedge accounting solution does not directly rely on the IAS 39 Implementation Guidance (IG)[1], we acknowledge and appreciate the IASB's statements that the potential deletion of the IG sections does not mean that macro hedge accounting under IFRS 9 would not be permitted. However we consider that the relevant IGs continue to be useful and so, to the extent they are not contrary to IFRS 9, we would encourage the IASB to retain those which relate to macro cash flow hedge accounting. They could be separately retained as reference material or incorporated directly into IFRS 9. This would help smooth the transition to IFRS 9 by enabling entities to easily continue with their existing hedge accounting solutions where appropriate.

We understand the IASB intends the general hedge accounting requirements to be included in IFRS 9 and be applicable to all hedge accounting models, with the exception of the special rules for macro fair value hedge accounting for interest rate risk, to which the current IAS 39 guidance will still apply. We support this approach, which provides more time to develop the new macro hedging model whilst allowing the general hedge accounting requirements to be finalised and made available for use at the earliest opportunity.

[1] In particular IAS 39 IG's F6.1 to F6.3

Following feedback received on the general hedge accounting staff draft, the IASB have in recent discussions[2] considered its implications on the practice of "proxy hedging". To help ensure the final guidance can be easily understood and applied, it would be most helpful if the IASB can explain its thinking behind certain concepts. For example, that proxy hedges should be "directionally consistent" with the risk being addressed and where hedge accounting relationships do not "exactly represent" actual risk management practices. Also, for proxy hedging, disclosures of the risk management strategy may be different than for other hedges so it would be useful to understand the IASB's intentions in this respect. Since the issue of proxy hedging was highlighted to the IASB, we note good progress is being made towards it being satisfactorily resolved. We very much appreciate the IASB's efforts in this area.

We trust that the EFRAG will find our comments useful. If you would like to discuss our response in more detail, please contact David Bradbery (david.bradbery@barclays.com) or Robbert Labuschagne (robbert.labuschagne@barclays.com) at 1 Churchill Place London E14 5HP.

Yours faithfully

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[2] January 2013 IASB meeting