December 29, 2017

John Stanford
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, ON M5V 3H2 Canada

Re: The comments on the Exposure Draft 62 - Financial Instruments

Dear Mr. Stanford,

The Korea Institute of Public Finance (KIPF) welcomes an opportunity to respond to the Exposure Draft 62 Financial Instruments issued by the International Public Sector Accounting Standards Board (IPSASB).

Please feel free to contact us if you have any questions regarding our comments set out in the following pages. You may direct your inquiries to the technical staff of Government Accounting and Finance Statistics Center at KIPF, Stella Sunjae Kim (sjkim@kipf.re.kr).

Faithfully,

[Signature]

Do-Jin Jung
Executive Director
GAFSC, KIPF
**Specific Matters for Comment 1:**

Consistent with the relief provided in IFRS 9, the IPSASB has agreed in [draft] IPSAS [X] (ED 62) to allow an option for entities to continue to apply the IPSAS 29 hedging requirements. Do you agree with the IPSASB’s proposal?

[Our comments] We agree that it is appropriate to initially give an option to continue to apply the IPSAS 29 hedging requirements in line with the IFRS 9.

For reference, the proportion of derivative instruments held by the Korean central government is very minimal. In addition, most of the evaluation profits on the derivative assets and liabilities derive from trading activities rather than hedging activities as indicated below.

*<The current status of the derivative instruments and the relevant profits and losses>*

<table>
<thead>
<tr>
<th></th>
<th>For trading</th>
<th>For hedging</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>The derivative instruments for the Korean central government</td>
<td>F/V through net assets/equity</td>
<td>F/V through net assets/equity</td>
<td>F/V through surplus/deficit</td>
</tr>
<tr>
<td>Total (2016.12.31)</td>
<td>1,666,965</td>
<td>-680,157</td>
<td>-22,134</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,953,449</td>
</tr>
<tr>
<td></td>
<td></td>
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<td>1,020,421</td>
</tr>
</tbody>
</table>

*<Source> The Financial Statements of the Korean Central Government for FY 2016 (Note 5)*

**Specific Matters for Comment 2:**

The IPSASB recognizes that transition to the new standard [draft] IPSAS [X] (ED 62) may present implementation challenges as a result of the number of significant changes proposed. Therefore, the IPSASB intends to provide a 3 year implementation period until [draft] IPSAS [X] (ED 62) is effective (early adoption will be permitted). Do you agree with the proposed 3-year implementation period before [draft] IPSAS [X] (ED 62) becomes mandatory? Please explain.

[Our comments] Due to the compliance issue with the IFRS 9, we view that it is proper to allow a 3-year implementation period with an option for early adoption.
Specific Matters for Comment 3:
Do you agree with the proposed transition requirements in paragraphs 153-180, consistent with those provided in IFRS 9? If not, what specific changes do you recommend and why?

[Our comments] The proposed transition requirements comply with those in the IFRS 9. Therefore, we agree with the IPSASB’s position.