Mr John Stanhope  
The Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
529 Fifth Avenue, 6th Floor  
New York, NY 10017 United States of America

Dear Mr Stanhope,

**Exposure Draft 62 Financial Instruments**

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on IPSASB Exposure Draft (ED) 62 – *Financial Instruments*.

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee comprises the senior accounting policy representatives from all Australian States, Territories and the Australian Government.

HoTARAC supports the proposed standard and continuing the policy of maintaining IFRS convergence.

The attachment to this letter sets out HoTARAC’s response to the specific matters for comment. If you have any queries regarding our comments, please contact Peter Gibson from the Commonwealth Department of Finance on +61 2 6215 3551 or by email to peter.gibson@finance.gov.au.

Yours sincerely,

[Signature]

David Nicol  
Chair  
Heads of Treasuries Accounting and Reporting Advisory Committee  
21 December 2017
ATTACHMENT: HoTARAC Response Exposure Draft 62 Financial Instruments

HoTARAC Response:

Overall Comment
HoTARAC agrees with the Exposure Draft and adopting IFRS 9, modified for public sector use.

Key Matters for Comment

Specific Matter 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?

HoTARAC agrees.

Specific Matter 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.

HoTARAC has no comment.

Specific Matter 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?

HoTARAC agrees.

Other Comments
Paragraph AG 128 restricts the application of the Standard to contractual guarantees. HoTARAC agrees, but would suggest the IPSASB consider whether legislative instruments that have the characteristics of financial instruments, such as receivables and guarantees (where the holder is reimbursed for loss in the event a debtor fails to make payments) should have the same accounting requirements as contractual financial instruments. HoTARAC suggests this apply to both initial recognition and subsequent measurement.

HoTARAC supports the proposed additional guidance on matters such as concessionary loans.