

30th September 2009

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

Dear Boards' members,

Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF) the accounting standards setter body in Mexico, welcomes the opportunity to submit its comments on the **Exposure Draft: Discount Rate for Employee Benefits (proposed amendments to IAS 19)**. Set forth below you will find our comments to the topics included in the Exposure Draft.

Question 1 – Discount rate for employee benefits

Do you agree that the Board should eliminate the requirement to use government bond rates to determine the discount rate for employee benefit obligations when there is no deep market in high quality corporate bonds? Why or why not? If not, what do you suggest instead, and why?

We believe that using the corporate rate discount rate poses several issues:

1. The first one is how an adequate corporate rate is determined. If the objective is to use a rate that will be similar to the financial liabilities of an entity and therefore could be similar to its funding rate, not all of the entities will have a corporate rate if they do not have securities issued in the market. Using a rate of a bank loan, that would generally be higher, would unduly decrease the amount of the employees liabilities.
2. Another problem would be the comparability of the liabilities between entities. If specific corporate rates are used the discounted amounts can be substantially different from one entity to another entity. Therefore there should be a common ground that the actuaries of each country should use to determine a corporate bonds average rate.
3. In certain countries, such as Mexico a market for corporate bonds that is enough deep and liquid does not exist. Most of the debentures issues are in the hands of investments funds managed by the stockbrokers or banks, and very little is traded. In other countries the market for corporate bonds issued in the country of the entity and in its functional currency is almost inexistent.

Therefore we believe that clear guidance should be issued to determine the rate to be used.

Question 2 – Guidance on determining the discount rate for employee benefits

For guidance on determining the discount rate, do you agree that an entity should refer to the guidance in IAS 39 Financial Instruments: Recognition and Measurement for determining fair value? Why or why not? If not, what do you suggest instead, and why?

We believe that the guidance should solve the problems indicated above.

Question 3 – Transition

The Board considered whether the change in the defined benefit liability (or asset) that arises from application of the proposed amendments should be recognised in retained earnings or as an actuarial gain or loss in the period of initial application (see paragraph BC10). Do you agree that an entity should: (a) apply the proposed amendments prospectively from the beginning of the period in which it first applies the amendments? (b) recognise gains or losses arising on the change in accounting policy directly in retained earnings? Why or why not? If not, what do you suggest instead, and why?

We believe that an entity should follow the same accounting policy it has been following for other actuarial gains or losses. When the accounting policy has been to expense immediately all the actuarial gains or losses as they arise, the entity should follow the same policy. If the actuarial gains or losses are deferred and amortized it could do so. However as the IASB expectative is that actuarial gains or losses should preferably be expensed, we would support that approach. Also we believe that under no circumstance the effect should be included directly in retained earnings instead of profit and loss, since that could be interpreted as hiding the effect.

Should you require additional information on our comments listed above, please contact me at 00-52-55-5596 5633/26/34 or by e-mail at fperezcervantes@cinif.org.mx

Sincerely,

C.P.C. Felipe Perez Cervantes
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