



August 29, 2019

Mr. Shayne Kuhaneck
Acting Technical Director
Financial Accounting Standards Board
File Reference No. 2019-740
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Dear Mr. Kuhaneck:

Re: Comments on the Board's Exposure Draft, *Investments—Equity Securities (Topic 321)*, *Investments—Equity Method and Joint Ventures (Topic 323)*, and *Derivatives and Hedging (Topic 815)*: Clarifying the Interactions between Topic 321, Topic 323, and Topic 815

Hydro-Québec is a major North American producer, transmission provider and distributor of electricity, operating mainly in the province of Québec, Canada. Its sole shareholder is the Québec government. In Québec, the transmission and distribution of electricity are regulated by the Régie de l'énergie.

On behalf of Hydro-Québec, I'd like to thank you for giving us the opportunity to comment on the Board's Exposure Draft entitled *Investments—Equity Securities (Topic 321)*, *Investments—Equity Method and Joint Ventures (Topic 323)*, and *Derivatives and Hedging (Topic 815)*: Clarifying the Interactions between Topic 321, Topic 323, and Topic 815.

We support the Financial Accounting Standards Board's objective to clarify the interactions between Topic 321, Topic 323, and Topic 815. Attached are our responses to the questions in the exposure draft.

Should you wish to discuss any aspects of this comment letter in greater detail, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads 'Nadine Thibodeau'. The signature is written in a cursive, flowing style.

Nadine Thibodeau, CPA, CA
Director – Financial and Management Accounting Expertise

Encl.

Proposed Accounting Standards Update

Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)

Clarifying the Interactions between Topic 321, Topic 323, and Topic 815

Question 1: Should an entity consider observable transactions that would require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative under Topic 321 immediately before or upon discontinuing the equity method? Please explain why or why not.

Yes, we believe that an entity should consider observable transactions that would require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative under Topic 321 immediately before or upon discontinuing the equity method. It would be aligned with the accounting for equity securities with readily determinable fair values, which are remeasured immediately before applying and upon discontinuing the equity method. It would also be consistent with the Board's intent to account for equity securities under Topic 321 at fair value.

Question 2: Should an entity consider whether the underlying securities for certain forward contracts or purchased options would, individually or with existing investments, be accounted for under the equity method upon settlement of the forward contract or exercise of the purchased option for purposes of applying Topic 815? Please explain why or why not.

We do not believe an entity should consider whether the underlying securities for certain forward contracts or purchased options would, individually or with existing investments, be accounted for under the equity method upon settlement of the forward contract or exercise of the purchased option for purposes of applying Topic 815.

For those forward contracts and purchased options on equity securities that are within the scope of Subtopic 815-10, the guidance requires that those contracts be measured at fair value in a manner consistent with the guidance in Topic 321.

Question 3: Are the amendments in the proposed Update operable? If not, please explain why you disagree and what changes, if any, should be made instead.

Yes, we believe the proposed amendments are operable.

Question 4: The proposed amendments would apply to all entities. Would any of the proposed amendments require special consideration for entities other than public business entities? If so, which proposed amendment(s) would require special consideration and why?

We are not aware of any special consideration.

Question 5: Do you support the proposed transition method and transition disclosures when adopting the proposed amendments? If not, please explain why and what transition method and disclosures should be required instead.

Yes, we agree with a prospective application.

Question 6: How much time would be needed to implement the proposed amendments? Do entities other than public business entities need additional time to apply the proposed amendments? Should early adoption be permitted?

There is no time issue for Hydro-Québec. Early adoption should be permitted.