

Comment Letters
IASB
30 Cannon Street
London EC4M 6XH
United Kingdom

Paris, 21 October 2011

RE: Exposure Draft Mandatory Effective Date of IFRS 9

Dear Sir / Madam,

We are pleased to comment on the Exposure Draft *Mandatory Effective Date of IFRS 9* published by the IASB on 4 August 2011.

We welcome the IASB's proposal to postpone the mandatory application date of IFRS 9 given the complexity of this standard and its significant impact on financial reporting.

We are nevertheless concerned that the preparers, users, auditors and other stakeholders will not have sufficient lead time to prepare for the adoption of IFRS 9 if all the phases of this project are not finalized before the start of 2012. During previous discussions on the impairment phase, the Board repeatedly envisaged giving entities 3 years to collect data in order to be able to comply with the requirements of the new expected loss impairment model, and we fully agree with this approach. We therefore propose to allow entities at least **three years** to implement IFRS 9 from the date of completion of **all** phases of IFRS 9, also taking into account the date of completion of the project on insurance contracts.

Given the importance of implementing all the phases of IFRS 9 simultaneously, we suggest the Board re-considers whether early application option should be permitted. Moreover, we are not convinced of the usefulness of the comparatives for previous periods produced under current transition provisions of IFRS 9. We therefore recommend the Board to amend IFRS 9 in order not to require restated comparatives. Once IFRS 9 is fully finalised, the Board could undertake a wrap-up discussion to propose a comprehensive and consistent approach on IFRS 9 transition principles based on the final classification, measurement, impairment and hedging requirements.



You'll find below the appendix to this letter which presents in more detail our concerns and opinion.

Do not hesitate to contact us should you want to discuss any aspect of our comments.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Michel Barbet-Massin'.

Michel Barbet-Massin
Head of Financial Reporting Technical Support

Appendix: detailed answers to questions raised in the ED on Mandatory Effective Date of IFRS 9

Question 1

The Board proposes to amend IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015. Do you agree? Why or why not? If not, what alternative do you propose?

As we mentioned in our comment letter of 28 January 2011 on the Request for Views on *Effective Dates and Transition Methods*, we deem it extremely important to implement the requirements of all phases of IFRS 9 simultaneously. The first application of all phases of IFRS 9 at a single date would limit the IT systems development costs involved and would ensure consistency between classification, impairment and hedge accounting provisions.

During its previous discussions on the impairment phase, the Board repeatedly envisaged giving entities 3 years to collect data in order to be able to comply with the requirements of the new expected loss impairment model. We fully agree with this proposal.

According to the IASB work plan (as published on www.ifrs.org on 30 September 2011), new draft documents on impairment and macro hedge accounting should be issued late 2011 or during the first half of 2012. Considering the time necessary to collect feedback and deliberate on such complex issues, the publication of finalized IFRS 9 by the end of 2012 seems a challenge. We are of the opinion that the objective of issuing the final standard within a reasonably short time should not prevail over the objective of quality: the Board should take the time necessary to develop a useful and quality standard on financial instruments.

As a result, instead of setting a fixed effective date, it would be more appropriate to amend the existing IFRS 9 by stating that the standard will become effective 3 years from the date IFRS 9 is completely finalized (i.e. three years from the date of issuance of the last phase of IFRS 9 in its final version, be it hedge accounting or impairment).

Furthermore, we believe that the effective date of the future IFRS on insurance contracts should be aligned with the effective date of IFRS 9 as it is necessary for entities to take into consideration the measurement of both their financial assets and their insurance contracts at the same time.

Question 2

The Board proposes not to change the requirement in IFRS 9 for comparatives to be presented for entities that initially apply IFRS 9 for reporting periods beginning on or after 1 January 2012. Do you agree? Why or why not? If not, what alternative do you propose?

We do not agree with maintaining the current requirements for comparative information.

Our main areas of concern are twofold:

- a) early application option, and
- b) transition requirements regarding comparatives.

Please find below our opinion on these two major issues:

a) Early application:

As explained in our comment letter of 28 January 2011 on the Request for Views on *Effective Dates and Transition Methods* (c.f. our response to question #6), Mazars view is that the IASB should not give entities the option to adopt any IFRS 9 phase before its mandatory effective date because early adoption of the standard would make comparability among entities and over time very difficult. Besides, a step-by-step application approach is likely to have a higher implementation cost and could give rise to some inconsistencies resulting from a ‘patchwork’ of old and new rules on financial instruments.

We therefore suggest amending the existing transition requirements by removing the early application option. The only exception would regard entities having already early-adopted the existing IFRS 9.

b) Presentation of comparative information:

We consider that restated comparatives produced under the existing transitional provisions might not be meaningful. As explained in our previous comment letter on the Request for Views on *Effective Dates and Transition Methods* (c.f. our response to question #4), the transitional provisions of the *Classification & Measurement* phase could result in a mix of financial assets classified both under IFRS 9 and IAS 39 being presented in earlier comparative periods. We do not think that the benefits of such information might outweigh the costs involved in producing it.

As of today, taking into account the complexity of guidance on financial instruments, the difficulty to make good use of comparative information as produced under current IFRS 9 requirements and the inevitable operational difficulties in collecting it, our view is that **prospective application** of IFRS 9 from the date of transition is the only achievable solution. By prospective application, we mean a restatement limited to opening balance items as of the date of transition without any modification to the previous comparative figures.

We also recommend the Board undertaking a global discussion on transition requirements and required comparative information in light of a complete set of rules on financial instruments once all the phases of IFRS 9 are finalized. This approach would make even more sense if the Board elected to remove the early application option as we proposed above.

Should the Board decide to maintain the existing early application and comparative information provisions, we have no objection to maintaining the exemption from the requirement to restate comparatives for entities having early-adopted IFRS 9 before 1 January 2012.