

POSITION PAPER



ESBG position paper the Exposure Draft Mandatory Effective Date of IFRS 9

ESBG (European Savings Banks Group)
Rue Marie-Thérèse, 11 - B-1000 Brussels
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ESBG welcomes the opportunity to comment on the Exposure Draft ED/2011/03 *Mandatory Effective Date of IFRS 9*. We highly appreciate that IASB proposal to postpone the mandatory effective date of IFRS 9 by another two years.

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?

Yes, we agree. This decision is very welcome however we believe that the IASB could even go further. ESBG shares EFRAG position which is that rather than setting a fixed effective date, it would be more appropriate to allow entities at least three years, from the date on which both the last phase of IFRS 9 and the new standard on insurance contracts have been published, to implement IFRS 9.

This is essential in order to provide sufficient time to implement the new accounting and reporting requirements.

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?

Yes, we agree on principle but we have some practical concern. ESBG believes that requiring restatement of comparative information in the first year of application of IFRS 9 can be accepted if two criteria are met:

- 1- If there is an appropriate period for implementation before the mandatory application date of the standard.
- 2- If IFRS 9 is interpreted similarly throughout the world.

Comparative information is important for users. Reaching this outcome can be particularly challenging as IFRS 9 brings fundamental changes to financial reporting. As a consequence IFRS 9 should be implemented in a way that causes minimum disruption for users.

Against this background we would like to emphasize that IASB should make sure that IFRS 9 will be interpreted in a similar way throughout Europe. There should not be any variation in the interpretation of IFRS alongside the IASB's IFRS (i.e. there should be no dialects alongside "pure IFRS"). ESBG has contacted numerous times the IASB on the risk of different interpretation of IFRS 9, using two



examples in IFRS 9 phase 1 (examples A and B of IFRS 9 B4.13) to illustrate its point. While we remain confident that the IASB will eventually address this issue, we raise the alarm that this issue can be seen elsewhere in the standard.

ESBG considers that the question of a consistent application of IFRS illustrates one of the problems that the IASB will likely encounter after the full publication of IFRS 9. If no decision is being taken then investors might be misled as the similar entities applying the same standard would have different values. This will surely lead to additional disruptions for investors, an outcome the IASB surely wants to avoid. As a consequence ESBG strongly encourages the IASB to be pro-active and address this issue as much in advance as possible.



About ESBG (European Savings Banks Group)

ESBG – The European Voice of Savings and Retail Banking

ESBG (European Savings Banks Group) is an international banking association that represents one of the largest European retail banking networks, comprising about one third of the retail banking market in Europe, with total assets of € 5,972 billion (1 January 2008). It represents the interests of its members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

ESBG members are typically savings and *retail* banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their *region*. ESBG member banks have reinvested *responsibly* in their region for many decades and are one distinct benchmark for corporate social responsibility activities throughout Europe and the world.



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International not-for-profit association

Rue Marie-Thérèse, 11 ■ B-1000 Brussels ■ Tel: +32 2 211 11 11 ■ Fax: +32 2 211 11 99

Info@savings-banks.eu ■ www.savings-banks.eu

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