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Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
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21 October 2011

Exposure Draft ED/2011/3 Mandatory Effective Date of IFRS 9

Dear Mr. Hoogervorst:

UBS AG appreciates the opportunity to share its views on the IASB's Exposure Draft (the ED) *Mandatory Effective Date of IFRS 9*. UBS prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). Additionally, we are subject to the selected financial data requirements imposed on foreign private issuers by the US Securities and Exchange Commission (the Commission).

We agree that the IASB should delay the mandatory effective date of IFRS 9 until annual periods beginning on or after 1 January 2015. However, we have significant concerns on the current requirement to provide restated comparative financial statements. Although we generally agree that comparative information is important for users in understanding financial trends and performance, the transitional provisions of IFRS 9 along with the volume of other accounting standards that will be implemented at that time will render comparative information to be virtually meaningless. Further, the scope and magnitude of the proposed standards are so great that even the most sophisticated reporting systems will be stretched in producing restated comparative financial statements. Not only will the substantial cost of producing comparatives be difficult to justify, we are also very concerned that they could in fact be misleading for the reasons explained in our response to Question 2.

We recommend that the Board adopt an approach under which financial assets and liabilities would be restated on the date of initial application as if IFRS 9 had always been applied. Any transition adjustments would be captured in opening retained earnings in the year of adoption.

Please contact John Gallagher at +1 203 719 4212 if you wish to discuss any of the issues raised in this letter.

Regards,

UBS AG

Alex Brougham	John Gallagher
Managing Director	Managing Director
Head of Group Accounting Policy	Group Accounting Policy

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?

We generally agree that the mandatory effective date of IFRS 9 should be deferred until annual periods beginning on or after 1 January 2015. This will allow appropriate time for implementation of all the phases of IFRS 9, including the impairment and hedge accounting portions.

This approach would also address concerns in certain parts of the world where there is a legislative approval process for adoption of new standards, particularly when consideration for adoption will not happen until the completion of the impairment and hedge accounting portions of the standard.

Notwithstanding our support for the deferral of the effective date of IFRS 9, we recommend that the Board consider an interim amendment to IAS 39 to incorporate the IFRS 9 proposals for the presentation of own credit for liabilities for which the fair value option has been designated within the current accounting framework. We believe that this would be a significant improvement to current accounting that would be easy to implement and would not be contentious.

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?

As we noted in our cover letter, we have a number of concerns related to the requirement to apply IFRS 9 on a retrospective basis.

Comparability concerns
Our primary concern is that the prior period comparative information could be misleading to investors. For comparative purposes, the requirements of IFRS 9 are only applicable to those instruments on the balance sheet at the date of initial application, while financial instruments de-recognized prior to that date would be presented on the basis of IAS 39. This results in the current period being shown entirely under IFRS 9 while all comparative periods would be a mix of IFRS 9 and IAS 39.

In addition, as the new hedge accounting standard is expected to be adopted on a prospective basis, comparative financial statements will not provide meaningful information as the scope of qualifying hedge relationships will likely be different. This will further impair the comparability of the financial statements between the current and prior periods.

Impairment rules will also change in the new IFRS 9, for which comparative information may be impossible to produce due to information constraints. This may necessitate the application of a practical expedient, which has the potential to further reduce comparability.

Finally, the transition guidance with respect to the fair value option and fair value through other comprehensive income (FVOCI) elections may also lead to comparability issues. IFRS 9 allows for a full reconsideration of previous fair value option designations, the revocation of elections that no longer qualify for the fair value option, and the designation of new fair value option elections where eligible. Similarly, FVOCI elections will also be made at the date of initial application, which may result in hindsight being used in the elections. However, as this may lead to a significant difference in the application of the fair value option and FVOCI elections in the period of adoption compared to prior periods, this would negatively impact comparability.

SEC requirements
As noted above, UBS and many other IFRS constituents are subject to the filing requirements of the Commission. In the case of UBS, we are required to provide Selected Financial Data in accordance with Section 301 of Regulation S-K (Item 3.A.1. of the instructions to the Form 20-F). The selected financial data encompasses the balance sheet and income statement. While IFRS only requires the presentation of two comparative periods, the Commission's requirements specify that four prior periods of comparative data must be supplied with regard to the selected financial data. Assuming a 2015 effective date, this would require the presentation of restated financial information as far back as 2011 under the current transition requirements of IFRS 9. If the Board does decide to retain the requirement to restate comparative periods, we strongly recommend that they specifically limit the comparative prior period to a single year in order to reduce the regulatory burden of producing four years of restated financial data.

Recommendation
Irrespective of the timeline for adopting the proposed standards, it is imperative that the Board provide transition relief for preparers. Producing comparative financial statements in this period of vast accounting change will be difficult and costly. As they will not provide any benefit to users, we strongly recommend that comparative financial statements not be required. We believe that it will be confusing for preparers to explain which aspects of its historical financial statements are comparative and which are not. We are skeptical as to whether users will be able to draw meaningful inferences from even the most clearly articulated attempts to reconcile the litany of disparate parts. The precedent for this approach is the 2001 adoption of the original IAS 39.

Another necessary aspect of transition relief relates to the requirements in IAS 8 which require a preparer, in the period of adoption, to prepare comparative current period financial information under the adopted accounting standard (IFRS 9) and under the prior standard (IAS 39). This requirement forces preparers to perform parallel accounting in the year of adoption, which is an expensive and time consuming exercise. In order to address this issue without amending IAS 8, we recommend a limited exception from the requirements of IAS 8.28(f) upon transition to IFRS 9.

We fully recognize the need for users to understand the financial statement impact of new accounting standards. As a result, we recommend a disclosure which provides a reader with a description of the material impact of IFRS 9 on the date of initial application. This is consistent with the IFRS 9 consequential amendments to IFRS 7 (paragraphs 44I and 44J), which require an explanation of the changes to the balance sheet at adoption. Any adjustment of the carrying amounts should be recognized in retained earnings at the beginning of the fiscal period in which IFRS 9 is initially applied.