BNP PARIBAS

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International Accounting Standards Board
30 Cannon Street
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United Kingdom

Comments to the Exposure Draft: *Mandatory Effective Date of IFRS 9*

We welcome the opportunity to comment on the IASB's Exposure Draft for *Mandatory Effective Date of IFRS 9.* As a response to our comments on the Request for Views, we are very pleased to notice that in this exposure draft the Board propose to change the mandatory effective date of IFRS 9 (2009) and IFRS 9 (2010) for annual periods beginning on or after 1 January 2015 rather than being required to apply them for annual periods beginning on or after 1 January 2013.

In our response on the Request for Views, we have advocated for a single mandatory effective date for the new package of IFRSs[1]. We still advocate for a single effective date for IFRS 9 and the Insurance project, which may interact together.

We believe that our initial estimate of three years for implementation, as specified to the IASB during our work on the impairment methodology, is still valid to ensure a proper implementation of all the new standards, including macro-hedge accounting. In addition, one should bear in mind that during the same period, financial institutions will also be facing significant changes to regulatory requirements (notably "Basel 3" and Solvency II). Hence, the **single effective date of application of new IFRSs should be fixed to at least three years after the completion of the latest standard within the package**.

We think that it is too early to fix the mandatory effective date of IFRS 9 for annual periods beginning on or after 1 January 2015. First, all phases of IFRS 9 are not yet finalised for the crucial issues (impairment methodology and macro hedge accounting). Besides, changes to IFRS 9 phase I related to classification and measurement might be necessary to achieve convergence of IFRS and US GAAP as requested by the G20 leaders and approved by the two boards.

Finally, regarding transition methods and more particularly for IFRS 9 where the financial institutions will have to face the major changes, we advocate that no comparative statements should be required, similarly to the transition relief permitted for IAS 39 in 2005. Likewise, taking into account the potential interactions between IFRS 9 and IFRS 4, comparatives should also be an option for the latter standard. More generally, we encourage the IASB to carefully consider specific transition relief where important hindsight may be involved and also to ensure consistent articulation of transition

[1] The following projects were the subject of the Request for Views: Fair value measurement, Financial instruments, Revenue recognition, Insurance contracts, Leases, Post-employment benefits, Presentation of items other comprehensive income.

requirements between standards.

Our detailed answers to the questions are included below. Should you have any questions regarding our comments, please do not hesitate to contact us.

Sincerely,

Gerard Gil
Deputy CFO

Detailed answers to the questions

Q1. 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 to postpone the effective date of IFRS 9. However, we believe 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.

Hence, we consider that at least three years of preparation are necessary to achieve a proper implementation of the package of new standards. This estimate represents a minimum length of time and is based on the experience gained in 2005, on the estimate made during our work on an impairment methodology and also taking into consideration forthcoming new regulatory requirements (in particular “Basel 3” and Solvency II) that would be deemed necessary for users to gain knowledge about new accounting requirements and to be in a position to better assess overall impacts.

As we noted in our comment letter of 25 January 2011 on the Request for Views *on Effective Dates and Transition Methods*, we would favour a single application date approach, with a stable platform of new IFRSs. We believe that a single date approach would allow, for a more consistent application, the interactions between different standards (e.g. IFRS 9 and IFRS 4).

Q2. 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 that restatement of comparative information should be required.

As we mentioned in our comment letter of 25 January 2011, on the Request for Views *on Effective Dates and Transition Methods,* the transition methods may need to be reconsidered depending on the final proposals that will be issued for each standard. More generally, we encourage the IASB to carefully consider specific transition relief where important hindsight may be involved, e.g. regarding the measurement of financial instruments. Particular attention should also be given to the articulation of the transition requirements between different standards that have some interactions, e.g. IFRS 9 and IFRS 4 or IFRS 9 and the Fair Value Measurement.

In addition, a full retrospective application for IFRS 9 would induce substantial costs for financial institutions. Therefore, we advocate that no comparative statements should be required, similarly to the transition relief permitted for IAS39 in 2005[2]. While acknowledging that generally, comparative

[2] IFRS1.36A at that time : “In its first IFRS financial statements, an entity that adopts IFRSs before 1 January 2006 shall present at least one year of comparative information, but this comparative information need not comply with IAS 32, IAS 39 or IFRS 4…”

information is of interest to users, in these circumstances where such an important standard is completely changed, for financial institutions in particular, benefits may not outweigh the costs (e.g. duplicated processes to gather comparative figures and potential hindsight that may be involved for fair value measurements). Due to potential interactions between IFRS 9 and IFRS 4 and also significant changes that this latter standard may imply, we believe that a same option to present comparatives should also be permitted for IFRS 4.