pwc

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

21 October 2011

Dear Sir/Madam

Exposure draft: Mandatory Effective Date of IFRS 9

We are pleased to respond to the invitation from the IASB to comment on the exposure draft *Mandatory Effective Date of IFRS 9* (the 'exposure draft'). Following consultation with members of the PwC network of firms, this response summarises the views of those member firms who commented on the exposure draft. 'PwC' refers to the network of firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We welcome the decision of the Board to delay the mandatory effective date of IFRS 9. In light of the extension of the time line for completing the remaining phases of the project to replace IAS 39, as well as the project to establish a new accounting model for insurance contracts, we believe such an amendment to IFRS 9 is appropriate. It is important that entities be given sufficient time to properly implement this important new accounting standard.

Whilst we agree that the mandatory effective date should be delayed, we question whether the proposed date of 1 January 2015 will be enough of a delay. For many entities, especially financial institutions and insurance enterprises, the lead time to develop the necessary systems and processes will be significant. Therefore, we believe that it will be important to allow for a period of at least eighteen months from the date of the finalising IFRS 9 and the insurance project to the first comparative period covered by the new standard. Given that it does not appear that these projects will be completed before the second half of 2012, the Board should consider whether the proposed date is realistic in view of the most likely time line for the projects.

Comparative financial statements

We believe that comparative financial information is an important part of a set of financial statements, and generally support the restatement of comparative periods upon a change in accounting principle unless there are exceptional circumstances. Assuming that there is sufficient lead time for transition before the required effective date of the standard, we agree with the Board's decision to not change the current requirement in IFRS 9 to present comparative information.

Date of initial application

Entities are required to apply the new classification provisions of IFRS 9 to those financial instruments existing at the beginning of the period of adoption (i.e., the date of initial application). In preparing the financial statements for the comparative periods, the resulting classification must be applied retrospectively regardless of the entity's business model in the prior reporting periods. However, financial instruments presented in the comparative periods that are derecognised prior to the date of initial application continue to be accounted for under IAS 39. As a result, the restated comparative period will potentially reflect a mixture of both the IFRS 9 and the IAS 39 accounting models.

Although this was intended to make the transition to IFRS 9 easier for financial institutions, it is actually creating implementation issues for many of them due to the inability to specifically identify which financial instruments will be subject to the new requirements of IFRS 9 until the beginning of the period of adoption. As a result some institutions that operate parallel systems (i.e. IAS 39 and IFRS 9) during the comparative periods will be required to make an adjustment on transition for those instruments derecognised prior to the date of initial application. Additionally, with the requirement in IAS 8 to provide disclosure of the effect of new accounting standards for current and prior periods, parallel systems would have to continue to operate during the year of adoption.

We believe that the Board should consider amending the transition provisions of IFRS 9. Entities should be allowed the option to select a date of initial application of IFRS 9 at the beginning of the earliest comparative period, and thus enable entities to present comparative financial statements that are fully consistent with the new accounting standard without necessitating cumbersome and costly adjustments. The Board should also consider limiting the IAS 8 transitional disclosures to the comparative periods and the opening balance sheet in the year of adoption i.e. preparers should be exempted from providing disclosures showing the impact on the current year financial statements of how IFRS 9 differs from IAS 39. The IAS 8 requirement is particularly onerous for a pervasive standard such as IFRS 9, and would require parallel running of systems under old and new GAAP in the year of adoption.

IFRS 10, 11, and 12

In view of the Board's proposal to delay the effective date for IFRS 9, we would like to take this opportunity to recommend that the Board reconsider the effective dates for IFRS 10, 11, and 12. These new standards require entities to comprehensively reassess their previous decisions regarding consolidation and joint venture accounting and could result in some significant changes to current practice. For some entities, such as those in the banking, insurance and investment management industries, the process to analyse all of the business relationships that could result in a change in the consolidation conclusion can be a substantial undertaking. With a required effective date of 1 January 2013 and retrospective application to the comparative period required, this leaves very little time, especially should there be a need to make any amendments to governance structures based on these analyses. In addition, the exposure draft on Investment Entities was only recently issued. We believe that many entities to which this guidance will be relevant have a strong desire to have its requirements finalised so that both can be adopted at the same time. This would enable those entities to avoid having to consolidate an investee, and then subsequently de-consolidate it and instead measure that investee at fair value in accordance with the investment entities project. Accordingly, we believe that it would be very helpful if the Board would consider delaying the effective date of IFRS 10, 11, and 12 by at least one year.

If you have any questions in relation to the letter please do not hesitate to contact John Hitchins - PwC Global Chief Accountant (+44 20 7804 2497) or John Althoff (+44 20 7213 1175).

Yours faithfully

PricewaterhouseCoopers LLP

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