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Banking supervision
And Accounting issues Unit

The Director

Paris, October 20th 2011

FBF Response- Mandatory Effective Date of IFRS 9 (Proposed Amendments to IFRS 9 (November 2009) and IFRS 9 (October 2010)

Dear Sir,

The FBF is pleased to have the opportunity to comment on to the exposure draft "Mandatory Effective Date of IFRS 9 (proposed amendments to IFRS 9 (November 2009) and IFRS 9(October 2010)).

We welcome the IASB proposals to defer the mandatory effective date of IFRS 9. Preparers will have more time to analyse and understand the new requirements before making the requisite system changes to transition from IAS 39 to IFRS 9 and investors to understand and assimilate the new requirements into their investment decision-making systems. We share the view of a single effective date for IFRS 9 and the Insurance project.

However as already explained in the "Request for views on Effective Dates and Transition Methods" we consider that a minimum of three years period of time is necessary in order to allow entities to assess the new requirements and to design and develop in the systems adequate changes required for transition from IAS 39 to IFRS 9. All the new standards (IFRS 9 and insurance contracts standard) contain significant accounting changes and their implementation requires high level of work as they cover the core of accounting principles applied to financial instruments.

Besides it clearly appears that finalization of IFRS 9 and insurance contracts standards cannot be completed on a timely basis for end of 2011 so that 1st January 2015 could be the effective date when applying the three years time of period for implementation of the new standards.

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Accordingly, we suggest that the Board of the IASB should state that the mandatory adoption date for all these standards that are on a on-going process should be defined three years after their final completion, rather than providing a specific date that should be further postponed when a delay occurs.

Besides, we question the comparative requirements which will imply for comparative figures to include both IAS 39 and IFRS 9 information without being distinguishable for users of financial statements. These comparatives will not be representative of the entity's performance under either IFRS 9 or IAS 39. We do not believe that the benefits to users would justify the substantial cost to preparers of producing these comparatives. Therefore, we advocate to apply a mechanism similar to the one applied for the transition to IAS 39 for first time adopters in 2005. Due to the scope of the new standards, we face the same situation as the one occurred in 2005. No comparative statements should be required. The opening balance sheet should be restated with a reconciliation schedule between closing and opening balance sheets.

Our comments to the exposure draft are detailed in the Appendix to this letter. We hope that these comments will prove useful and we would be pleased to provide any further information you might require.

Yours sincerely,

Jean-Paul Caudal

Appendix.

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 welcome the IASB proposals to defer the application of IFRS 9. We agree with the Board's view that an entity should be given the opportunity to adopt all phases of IFRS 9 at the same time. We welcome as well the alignment of the IFRS 9's effective date with the effective date of the insurance contracts standard. As interactions exist between the two standards, the alignment of the effective dates would contribute to their consistent application.

In our response to the Request for Views on "Effective Dates and Transition Method", we have suggested that the effective date could be 1st January 2015, assumed that all the IFRS 9 phases and the insurance contracts project were to be completed as at end of 2011 as initially planned.

We consider that adequate time must be allowed between issuance of standards and mandatory application. We have evaluated this adequate time to a minimum of three years in order to allow entities to assess the new requirements and to design and develop in the systems adequate changes required for transition from IAS 39 to IFRS 9.

As all the new standards (IFRS 9 and insurance contracts standard) contain significant accounting changes as they cover the core of accounting principles applied to financial instruments, their implementation requires high level of work and significant time. Preparers need time to analyse and understand overall issues and implications and then to design and develop systems before starting reporting under the new requirements. Users as investors and analysts need as well sufficient time to assess and assimilate the new requirements into their investment decision-making systems.

Therefore, 1st January 2015 was suggested as it corresponded to a three year period of time between the issuance date estimated at the end of 2011 and the effective date of the standards.

However, it clearly appears in the IASB work plan projected timetable as of 30 September 2011 that finalization of the IFRS 9 and insurance contracts standards should not be expected earlier than mid-2012. Indeed, review drafts or exposure draft related to IFRS 9 requirements for impairment and for general and macro hedge accounting are planned for end 2011 or beginning 2012. The same delay in timelines is observed for the insurance project. Besides, sufficient timeline is needed in order the due process to be achieved and the final standards to be issued.

We believe that if the standards could not be finalised as currently scheduled and were to be issued after the expected date, then the effective date of all the standards should be postponed on the same magnitude than the delay. Moreover in paragraph BC3, the Board has stated that sufficient time should be granted to entities to allow them to adopt and implement the new standards.

For these reasons, due to the current status and projected completion dates of the remaining phases of the IFRS 9 phases (impairment and general and macro hedge accounting) and of the insurance project, and due to the minimum of three years period needed for implementation, 1st January 2015 appears not to be an achievable date.

Therefore, we advocate that the Board of the IASB should state that the mandatory adoption date for all these standards that are on an on-going process should be defined three years after their final completion, rather than providing a specific date that should be further postponed when a delay occurs.

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 disagree with the rationale developed by the IASB to require comparative information. The Board believes that only a short time frame would prevent from restatement of comparative periods whilst we are concerned by the significant burden to move to the new standards. As explained in the response to question one, time is required in order to fully assess the impact of the new standards, to make changes to systems, to train staff and to develop communication with investors and analysts.

As already answered in the Request for views "Effective date and transition method", we are strongly opposed to an unrealistic fully retrospective application due to the scale of changes. Restatement of past transactions would be too complex and too costly due to the high volumes of financial assets and liabilities involved and due to the hypothesis to be formulated and information to be collected in order to provide appropriate comparative financial statements.

We question the comparative disposals required into paragraphs 8.2.12 of IFRS 9 (2009) and 7.2.1 of IFRS 9 (2010). It is stated that IFRS 9 shall not be applied to items that have already been derecognised at the date of initial application. Hence, IAS 39 must be applied to items that have been derecognised between the beginning of the comparative period and the date of initial application. Accordingly, the comparative figures will then include both IAS 39 and IFRS 9 information without being distinguishable for users of financial statements. We do not see any value to users of comparatives to dispose of such information.

An entity that would have wished to prepare during 2014 comparative figures as of 1st January 2014 would be prevented from as financial instruments that will subsequently be derecognised before the date of initial application of 1st January 2015 are unknown at the beginning of the comparative period. Consequently, such entities will have to amend their preliminary statement of financial position as of 1 January 2014, once derecognitions become known. It will likely have not sufficient time to prepare restatements after the date of initial application.

Producing comparative financial statements for the new impairment requirements will imply for the entity first to determine how to allocate the loans portfolios into the three bucket approach as of 1st January 2015. Then it will have to consider the conditions of the allocation previously defined as of 1st January 2014 and to attempt to address the financial instruments that have been derecognised and that are no more allocated into the buckets as of 1st January 2014 but that are under the scope of IAS 39. Finally it should draw the consequences on the amount of the related allowance while taking into account transfer within buckets.

To alleviate some of this burden, we advocate to apply a mechanism similar to the one applied for the transition to IAS 39 for first time adopters in 2005. Due to the scope of the new standards, we face the same situation as the one occurred in 2005. No comparative statements should be required. The opening balance sheet should be restated with a reconciliation schedule between closing and opening balance sheets.

Appropriate explanations should then be provided. We suggest that further analysis should be undertaken in order to provide information through disclosures that would be useful to users to understand the impact of adopting the new standards on the entity's performance.

Due to potential interactions between IFRS 9 and IFRS 4, the same comparative approach should be retained for the insurance contract standard.

Concerning early application of IFRS9, the Board still maintains the permission. We are opposed to an early adoption of the new standard before the mandatory effective date. We believe it would prevent from comparability of financial statements and from a level playing field between entities as it generates a long period of time where entities would apply different standards at different dates.