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Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
EC4M 6XM London, United Kingdom

**Re: ED/2011/3 Mandatory Effective Date of IFRS 9**

Dear Mr. Hoogervorst:

The Institute of International Finance (IIF) Senior Accounting Group appreciates the opportunity to comment on the exposure draft that amends the mandatory effective date of IFRS 9 *Financial Instruments*.

The IIF is a global association of financial institutions. Members include most of the world's largest commercial banks and investment banks, as well as a growing number of insurance companies and investment management firms. The IIF Senior Accounting Group consists of senior executives within the accounting policy, treasury, and finance functions of financial institutions within the IIF's membership.

Since its issuance in November 2009, transition to IFRS 9 has been a matter of concern to many Members of the IIF. Noting the still-pending endorsement decision of IFRS 9 by the European Commission as well as ongoing convergence efforts with the FASB in the area of classification and measurement of financial instruments, the Senior Accounting Group has recently urged the IASB to reconsider the current mandatory effective date of January 1, 2013. Hence, the IIF Senior Accounting Group welcomes the Board's proposal to address the mandatory effective date of IFRS 9.

Given the limited scope of the exposure draft, our responses are set out below without an additional 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?**

The Senior Accounting Group is very supportive of the Board's decision to defer the mandatory effective date of IFRS 9 to 1 January 2015.

Transitioning from IAS 39 to IFRS 9 is a significant change for financial institutions. Adequate time is necessary for financial institutions to prepare for a transition of this scope. Moreover, given the uncertainty regarding endorsement of IFRS 9 by the European Commission and possible changes to IFRS 9 in furthering convergence efforts with the FASB, we believe the deferral is necessary to ensure that financial institutions are not required to maintain separate sets of accounts during this interim period. Given these circumstances, there is considerable support for deferring the mandatory effective date to 1 January 2016.

In the event of further delays in completing IFRS 9, (and any project with which there is significant interaction, e.g. the project on insurance contracts) it will be necessary for the IASB to reconsider the mandatory effective date. Some Members note that a lead time of at least 36 months would be needed to properly implement final 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?**

We do not support the Board's decision to retain 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. We note that the interconnectedness of the different phases of the financial instruments project, uncertainty regarding endorsement by the European Commission and convergence with the FASB has made the expedited early adoption option initially envisioned by the Board impracticable. Hence at a minimum, it would be reasonable for transitional relief to be extended along with the deferral of the mandatory effect date proposed.

However, as noted in the IIF Senior Accounting Group's response to the IASB's and FASB's request for views concerning effective dates (submitted January 31, 2011), we would be most supportive of an overall transition approach that would not require comparative information. This is for both comparability and cost benefit reasons.

Our primary concern is that the prior-period comparative information presented would be meaningless and, worse, misleading to users of financial statements. Given the inevitable exemption from full retrospective application, restated information is unlikely to be truly comparable. For example, 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, *Financial Instruments: Recognition and Measurement*. This results in the current period being shown entirely under IFRS 9 while the comparative periods would all be a mix of IFRS 9 and IAS39.[1]

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[1] Some Members believe that in the case comparative information is required, an option to apply IFRS 9 for the previous year figures should be considered in order to prevent coexistence of two measurement methods.

Moreover, the transition guidance with respect to the fair value option (FVO) and fair value through other comprehensive income (FVOCI) elections may lead to comparability issues. IFRS 9 allows for a full reconsideration of previous FVO designations, including revocation of previous designations and new elections subject to new eligibility requirements. FVOCI elections will also be made at the date of initial application. We are concerned that this may result in an inappropriate amount of hindsight being used in the elections. This would lead to a significant difference in the application of the FVO and FVOCI elections in the period of adoption compared to prior periods, thereby reducing comparability.

In addition, as the new hedge accounting requirements are 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 would further impair the comparability of the financial statements between the current and prior periods

As noted above, transition from IAS 39 to IFRS 9 is a significant change for financial institutions. Coupled with other forthcoming changes to impairment and hedge accounting, relief from restating comparatives is a necessary practical expedient and cost relief for preparers. The cost of providing comparative information for such vast changes is substantial. Given that the resulting information is unlikely to achieve its intended objective of being meaningful and comparable for users, we do not believe that the perceived benefits justify the costs. We further note that on transition to the amended IAS 39 in 2005, restatement of comparatives was not required. We urge the Board to adopt a similar approach in this case and not require comparative information.

It is important for financial statements to serve users' information needs and assist them in performing accurate analyses of trends and performance. Hence, some Members would recommend that the Board explore developing disclosures to provide users with a description of the material impact of IFRS 9 adoption on the financial statements. These Members believe that such disclosure is likely to be more informative than comparative information that is not truly comparable.

**Additional comments**

The IIF has supported the convergence of accounting standards for many years. It remains fundamental in the view of the Institute that a single set of high-quality international accounting standards is critical in today's global financial markets. Consistent international standards on financial reporting would serve the needs of investors, issuers, regulators and the capital markets as a whole. We understand that the FASB is in the process of redeliberating its May 2010 proposal on accounting for financial instruments. We would emphasize that convergence in the area of classification and measurement is critical. Hence, we urge the IASB to continue working with the FASB to achieve convergence in this area.

Should you have any questions about this letter or the views expressed, please contact the undersigned (dschraa@iif.com) +1 202 857 3312, Carol Wong (cwong@iif.com) or Christina Rulfs (crulfs@iif.com) +1 202 857 3311.

Very truly yours