BDO

Tel: +44 20 7893 3300
Fax: +44 20 7487 3686
@: abuchanan@bdoifra.com
www.bdointernational.com

BDO IFR Advisory Limited
55 Baker Street
London W1U 7EU
United Kingdom

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

14 October 2011

Dear Sir

Exposure draft ED/2011/03: *Mandatory Effective Date of IFRS 9*

We are pleased to comment on the above exposure draft (the ED). Following consultation, this letter summarises the views of the BDO network[1].

We agree with the proposals set out in the ED; our detailed comments are set out in the attached Appendix.

However, there are a number of points related to the adoption of IFRS 9 that the Board might usefully consider. As an overall comment, the transitional provisions of IFRS 9 are relatively complex and are likely to become more so as additional phases of the project are added. We acknowledge that it is necessary to develop transitional guidance for entities that have previously have adopted IFRS 9 and are now adopting new sections, as well as those entities adopting IFRS 9 in its entirety for the first time, and that this will necessarily have certain complexities. However, there is the opportunity to revisit certain aspects of the guidance in the light of questions that arise in practice, and in the context of existing transitional provisions that might be modified. Aspects that we believe the Board should consider include:

- The transitional provisions at IFRS 9.7.2.2(b) refer to the date of initial application as being 'the beginning of the first reporting period in which the entity adopts this IFRS......'. We note the omission of 'annual' from 'reporting period', which brings the question of whether the first reporting period refers to the first interim or annual financial statements. A related question is whether, if an entity with a 31 December annual reporting period (say) reports quarterly or half yearly, it could adopt IFRS 9 part of the way through it annual financial year by adopting IFRS 9 from the start of an interim period if it adopted IFRS 9 in 2011 or 2012.

- Certain of the transitional provisions of the first phase of IFRS 9, which covered financial assets, may originally have been included to provide additional relief for those entities that adopted IFRS 9 soon after it had been issued. However, it may be

[1] Service provision within the international BDO network of independent member firms ('the BDO network') in connection with IFRS (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium with its statutory seat in Brussels. Each of BDO International Limited (the governing entity of the BDO network), Brussels Worldwide Services BVBA, BDO IFR Advisory Limited and the member firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA, BDO IFR Advisory Limited and/or the member firms of the BDO network.
BDO is the brand name for the BDO network and for each of the BDO member firms.
BDO IFR Advisory Limited, registered in England No 7295966
Registered office: c/o Hackwood Secretaries Limited, One Silk Street, London, EC2Y 8HQ

appropriate to revisit these and consider whether they remain wholly appropriate for entities that are adopting IFRS 9 either now or in the future.

We hope that you will find our comments and observations helpful. If you would like to discuss any of them, please contact Andrew Buchanan at +44 (0)20 7893 3300.

Yours faithfully

BDO IFR Advisory Limited.

BDO IFR Advisory Limited

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 agree with the proposal.

We have considered whether it would be more appropriate for the mandatory effective date of IFRS 9 to be set in relation to the date on which the Board finalises the final section of the new standard. We are aware that it may be suggested that this approach should be followed, with the effective date of IFRS 9 being set at a number of years after the standard has been completed in its entirety.

While this might initially appear attractive, we do not consider it to be appropriate. While it might be operational for entities that will wait until all of IFRS 9 has been completed before adopting its provisions (in some cases because they are currently prevented by legislation from adopting the new standard and are not currently expected to be able to do so until some point after it has been completed in its entirety), in many jurisdictions IFRS 9 will be available at its effective date as determined by the IASB. In those latter cases, entities reporting in accordance with IFRS need certainty about their transition date, in order that they can make appropriate arrangements in advance.

From the Board's perspective, we consider that it is appropriate for a firm transition date to be set, as this is likely to fit better with project planning. However, we suggest that the Board keeps the mandatory effective date of IFRS 9 under review in order that, in the event that the overall project is delayed, a further change can be made.

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 agree. As the Board has noted in its Basis for Conclusions, IFRS 9 has been in issue for some time meaning that relief from the restatement of comparatives is no longer necessary.