October 20th 2011

Hans Hoogervorst
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Re: IASB Exposure Draft ED/2011/3: Mandatory Effective Date of IFRS 9

Dear Sir,

We welcome the opportunity to provide our comments on the above Exposure Draft. As Société Générale is one of the largest financial services groups in the euro zone, involved in both banking and insurance activities, we will be significantly affected by the implementation of IFRS 9.

We agree with the IASB proposals to defer the mandatory effective date of IFRS 9. Due to the current development of the second and third phases of IFRS 9 which are still far from being ready, 2013 is no more sustainable as a mandatory effective date.

Preparers will need to have enough time to properly analyse and understand the new requirements before implementing changes in their information systems, and users and investors will also need time to understand the consequences of IFRS 9 on their investment decision-making processes.

However, we have a strong concern on whether the proposed 1st January 2015 is a feasible effective date, considering that IFRS 9 is not expected to be fully finalised in a short-time frame. As already mentioned in our answer to the "Request for views on Effective Dates and Transition Methods" we consider that the implementation of IFRS 9 will require at least three years after the issuance of the new standard (with all phases, including macro-hedge accounting) for properly assessing the new requirements and the appropriate changes needed for transition from IAS 39 to IFRS 9. Accordingly, we suggest that IASB should state that the mandatory effective date for standards that are currently on an on-going process should be defined three years after their final completion, rather than settling a specific date that should be further postponed when a delay occurs.

For consistency and operational purposes, we also suggest that IASB should adopt a single effective date for both IFRS 9 and the Insurance.

We also suggest adopting a prospective application for IFRS 9, similar to the transition approach that has been applied by first time adopters for IAS 39 in 2005. Due to the scope of the new standards, we face the same situation as the one occurred in 2005. The opening balance sheet would be then restated according to the new standards and a reconciliation schedule would be provided between closing and opening balance sheet figures with appropriate explanations and no comparative statement should be required.

But should a retrospective application be required, we ask the Board to amend the current comparative requirements available in IFRS 9 in order for financial assets which will have been derecognised at the date of initial application to be measured for comparative figures under the provisions of IFRS 9 rather than IAS 39 in order to avoid providing mixed comparative figures under both IFRS 9 and IAS 39 for similar instruments.

Our detailed answers to the questions of your Exposure Draft are provided below. If you have any queries regarding our comments, please do not hesitate to contact me or Pierre-Henri Damotte, Head of Group Accounting Policies.

Sincerely,

Marie DOUCET
Group Chief Accountant

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 IASB proposals to defer the mandatory effective date of IFRS 9. Due to the current development of the second and third phases of IFRS 9, 2013 is no more sustainable as a mandatory effective date.

We also ask the Board to consider the alignment of the IFRS 9's effective date with the effective date of the coming insurance contracts standard. As interactions exist between the two standards, the alignment of the effective dates would contribute to their consistent application by all groups involved into insurance businesses.

Due to the large scale and scope of the accounting changes provided by IFRS 9 and its coming developments on impairment and hedge accounting, its implementation in the information systems will require hard and significant works to properly analyse and understand the new requirements and will then need a significant time to be properly performed. Users and investors will also need time to understand the consequences of IFRS 9 on their investment decision-making processes.

Therefore and as already mentioned in our answer to the "Request for views on Effective Dates and Transition Methods", we estimate, on the basis of our experience taken from the 2005 FTA, that the implementation period should not be less than three years after the issuance of the standard (which means all phases of IFRS 9 including macro-hedging).

Should the former time schedule of IASB, expecting all phases of IFRS 9 to be issued before the end of 2011, be followed, the first application would have not been then earlier than January 1st, 2015. But since IFRS 9 is not expected to be fully finalised in a short-time frame as stated in the current time schedule, we have a strong concern on whether the proposed 1st January 2015 is a feasible effective date.

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. Then final standards will not be expected before mid-2012 at the earliest. And a similar delay is currently observed for the insurance project.

As stated by the Board in paragraph BC3, sufficient time should be granted to entities to allow them to adopt and implement the new standards.

For these reasons, we do not see 1st January 2015 as a feasible effective date. The Board should then state that the mandatory effective date for standards that are currently on an on-going process should be defined three years after their final completion, rather than settling a specific date that should be further postponed when a new 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 Board's proposal not to change the requirement in IFRS 9 for comparatives.

We do not favour a full retrospective application of the new standards.

As already mentioned in our answer to the "Request for views on Effective Dates and Transition Methods", a full retrospective application of the new standards including a full restatement of comparative figures would be too complex and too costly due to the high volume of financial instruments involved and to the assumptions to be performed to provide the restated figures. Such costs would highly outweigh the expected advantages of such an approach.

As a financial institution, we are considering issues related to the first application of IFRS 9 as being fully comparable to first-time application of IAS 39 in Europe which occurred in 2005. Therefore, we suggest applying the same transition approach as the one applied by first time adopters for IAS 39 in 2005. The opening balance sheet would be then restated according to the new standard and a reconciliation schedule would be provided between closing and opening balance sheet figures with appropriate explanations, and no comparative statement should be required.

Due to potential interactions between IFRS 9 and IFRS 4 for insurance entities and for groups which are also involved in such industry, the same comparative approach should be retained for the insurance contract standard.

But should the Board confirm the retrospective application of IFRS 9 with restatement of comparative figures, we strongly 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 would have to remain applied to items that have been derecognised between the beginning of the comparative period and the date of initial application. Accordingly, the resulting comparative figures would then include both IAS 39 and IFRS 9 information without any possible distinction. We then question how it would be useful and understandable for users of the financial statements.

Regarding operational issues, the comparative disposals currently required by IFRS 9 (2009 and 2010) would prevent entities to prepare comparative figures during 2014 as they will not know until the end of 2014 which financial instruments will be then derecognised and as such be required to remain treated under IAS 39. Performing the analysis and the separate treatments of comparative figures only after the date of initial application (1st January 2015) will raise very significant operational issues for entities that will need to be fully ready for the first quarterly publication occurring in 2015.