

Set up in 1960, the European Banking Federation is the voice of the European banking sector (European Union & European Free Trade Association countries). The EBF represents the interests of some 5000 European banks: large and small, wholesale and retail, local and cross-border financial institutions.

The EBF is committed to supporting EU policies to promote the single market in financial services in general and in banking activities in particular. It advocates free and fair competition in the EU and world markets and supports the banks' efforts to increase their efficiency and competitiveness.

EBF response to the IASB Exposure Draft of proposals to adjust the mandatory effective date of IFRS 9 Financial Instruments

Key Points

- Instead of setting a fixed effective date, a minimum of 3 years implementation time should be given after the completion of all phases of IFRS 9.
- Support for retrospective application providing that an entity should assess the business model based on the facts and circumstances that exist at the date of initial application without restatement of comparatives, except where there is a clear justification for prospective-only adoption.

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 EBF welcomes the postponement of the effective date of IFRS 9 Financial Instruments.

It is estimated that the IFRS 9 would require at the minimum 2 to 3 years implementation time and significant IT investments. The implementation time depends on the nature of the changes proposed, in particular in relation to the part of the standards which are not yet finalized. Considering that only phase 1 of the IFRS 9 project is completed, and may still be subject to amendments resulting from subsequent phases and convergence discussions, as well as the uncertainty related to phases 2 and 3, it is impossible to evaluate at this stage the exact time and effort that will be necessary for implementation.

Considerations should also be given to the alignment of the effective dates with other standards such as IFRS 4 which are still under discussion and it is not clear whether these will be ready for implementation as of January 2015. Until all these projects are completed, it is not possible for an entity to set its accounting policies and decide on financial instruments' classification and hedge designation.

It also has to be taken into account that in some jurisdictions, the implementation of the standard can only start after an endorsement process has been completed, which may take an additional six months from the time of the issuance of the final standard by the IASB.

The EBF would therefore like to suggest that instead of setting a fixed effective date a minimum of 3 years implementation time should be given after the completion of all phases of IFRS 9.

The EBF believes that a need for a high quality standard should outweigh the importance of concluding the project within an artificial timeline. However, the EBF believes that an earlier adoption of the new requirements of IFRS 9 on the presentation of movements in the fair value of liabilities designated at fair value relating to own credit should be considered. This would significantly improve the quality of IFRS in a short term.

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?

The Exposure Draft proposes not to extend the relief for restating comparatives. The EBF does not agree with the proposal that the implementation of IFRS 9 should require full retrospective restatement of comparatives. It is not believed that this would improve the usefulness of the information for users.

The requirements in the ED would lead to confusion given that individual assets sold or expired prior to 2015 would be reported according to IAS 39 while assets still held at January 2015 according to IFRS 9. This would lead to coexistence of two measurement methods, which will be operationally complex as well as confusing for the users of financial statements. The EBF believes that an approach should be followed under which IFRS 9 would be applied on a retrospective basis, with the opening balance sheet for the current period restated but with relief from the requirement to provide comparatives.

Accordingly, the EBF supports retrospective application providing that an entity should assess the business model based on the facts and circumstances that exist at the date of initial application *without* restatement of comparatives, except where there is a clear justification for prospective-only adoption.