

9 December 2011

International Accounting Standards Board  
Attn. Hans Hoogervorst  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Hans,

**Re: Deferral of the effective dates of IFRS 10, IFRS 11 and IFRS 12**

On behalf of the European Financial Reporting Advisory Group (EFRAG), I am writing to request a deferral of the effective date of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (the 'Standards').

*Issue*

In January 2011, when we responded to the IASB's Request for Views on *Effective Dates and Transition Methods*, we asked the Board to select the effective date of the Standard such that constituents would have sufficient time to develop a consistent understanding of the requirements. However, we do not believe that the effective date of 1 January 2013 would allow for this to be the case anymore because of the following developments:

- (a) Some constituents started raising concerns about the effective dates of the Standards shortly after they were published. From the final wording of the Standards, it had become clear to them that developing a common understanding of how the principles should be applied, would require more effort and time than they had originally expected. They noted that, while they followed the development of the Standards closely, they could only start considering the implementation of the requirements after the Standards were published. We note here that the Standards were only published in May 2011, rather than in the beginning of 2011 as had been originally expected.
- (b) A further concern that has been brought to our attention is that the IASB is currently working on two projects that affect the application of IFRS 10 and that create uncertainty for constituents:
  - (i) *Amendments to the Transition Guidance in IFRS 10* – These proposed clarifications and changes to the transition guidance have yet to be exposed for comments and will be finalised around the middle of 2012. That leaves constituents and authorities with considerable uncertainty on the wording

and implementation of IFRS 10 until shortly before its effective date. It also raises some timing concerns in terms of the endorsement of these amendments for use in the EU.

- (ii) *Investment Entities* – The exposure draft issued by the IASB requires the parent of an investment entity that is not itself an investment entity to consolidate all of its controlled entities including those it holds through subsidiaries that are investment entities. However, the corresponding FASB exposure draft does not require such parent entities to consolidate those controlled entities that it holds through subsidiaries that are investment entities. In its exposure draft, the IASB has asked its constituents whether or not they agree with the proposed requirements. Some constituents in the financial services industry and insurance industry have raised the concern with EFRAG that they might be required to start consolidation of certain entities under IFRS 10 (e.g. mutual funds for which they are considered to be the principal), but might be forced to adopt investment entity accounting shortly afterwards if the IASB were to align its final decision with the FASB's current position.
- (c) As you may know, EFRAG staff has conducted field-tests of the requirements of IFRS 10 and IFRS 11 in recent months. The field-tests confirm the concerns listed under (a) and (b) above. In both field-tests some participants noted that they have concerns that the mandatory effective date of 1 January 2013 would not allow them sufficient time to implement the new requirements and make the required assessments. The issue regarding IFRS 10 is concentrated in the financial services industry and insurance industry, with SEC registrants reporting particular problems relating to the retrospective application of the Standards. The main general issue raised regarding IFRS 11 concerns the need to access detailed information regarding joint arrangements.

EFRAG notes that given the considerable interaction between the requirements of the standards in the package, the IASB has required that they be implemented at the same date. EFRAG agrees with this requirement. All standards in the package must therefore have the same effective date.

#### *Request*

For these reasons, EFRAG believes that the effective date of the Standards should be deferred to the later of (a) 1 January 2014 or (b) 12 months after the amendments to IFRS 10 and the standard on investment entities have both been published. This would allow companies to plan and implement the Standards in an orderly manner, which would contribute to the quality of the information reported.

If you wish to discuss this issue further, please do not hesitate to contact Isabel Batista or me.

Yours sincerely

Françoise Flores

**EFRAG, Chairman**