

IASB
30 Cannon Street
LONDON EC4M 6XH
United Kingdom

The IASB's Exposure Draft *Mandatory Effective Date of IFRS 9*

The European Securities and Markets Authority (ESMA) is an independent EU Authority that contributes to safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as by enhancing investor protection.

ESMA has considered through its Standing Committee on Corporate Reporting the IASB's Exposure Draft (ED) *Mandatory Effective Date of IFRS 9 – Financial Instruments*. We thank you for this opportunity to contribute to the IASB's due process. We are pleased to provide you with the following comments aimed at improving the decision-usefulness of financial statements and the transparency and enforceability of IFRSs.

ESMA believes that, rather than setting a fixed effective date at this moment, the Board should set the same effective date for IFRS 9 and IFRS 4 - *Insurance Contracts* after completion of both standards. In the case of IFRS 9 that means after finalising all the different phases and ensuring internal consistency between the different parts.

We strongly support the Boards proposals not to change the requirements in IFRS 9 for comparatives to be presented for entities that initially apply IFRS 9 as it will provide essential information for investors' understanding of the financial position and performance of the issuer.

I would be happy to discuss all or any of these issues further with you.

Yours sincerely,



Julie Galbo

Chair of ESMA's Corporate Reporting Standing Committee



APPENDIX – ESMA’s detailed answers to the questions in the IASB Exposure Draft *Mandatory Effective Date of IFRS 9*

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 January 2015. Do you agree? Why or why not? If not, what alternative do you propose?

1. ESMA welcomes the IASB’s decision to delay the effective date of IFRS 9 – *Financial Instruments* so that entities would not be required to apply the standard for annual periods beginning on or after 1 January 2013.
2. The IASB started in 2009 a phased but ambitious reform of its standards on financial instruments accounting. Since then the Board has issued IFRS 9 – *Financial Instruments: Classification and Measurement* in 2009. Requirements for financial liabilities were added in 2009.
3. ESMA believes that it is important that there is sufficient time for investors and issuers to understand the impact of the changes in the accounting for financial instruments. As expressed in our earlier letters commenting on earlier phases of IFRS 9 we are not supportive of earlier application to ensure comparability of financial information between issuers.
4. Though we welcome delaying the effective date it is difficult for ESMA to support any specific effective date at this moment as it is still unclear by when the Board will finalise the other phases of its project on financial instruments accounting – impairment of financial assets, hedging (including macro hedging) and off setting. The Board’s current work plan foresees completion of the different phases by the end of 2012; a timing that has already been revised several times during the evolution of the project. And even that might not mean the publication of the final version of IFRS 9 as we believe that the Board should after completion of the various phases do what is necessary to guarantee the internally consistency of the different phases and field-test its new standard. We believe that it would be help stakeholders’ acceptance of these important standards by seeking public comments on this.
5. It is crucial to ESMA that the IASB and FASB work together to achieve convergence between IFRS and US GAAP in the area of financial instruments accounting. It is not yet clear whether the Boards will achieve that and whether that might have an impact on the timing of the projects.
6. In addition, we believe that the scope and requirements of IFRS 9 and IFRS 4 – *Insurance Contracts* are so interlinked that the Board should set the same effective date for both standards.

We therefore would encourage the Board to set an effective date after the final publication of IFRS 9 and IFRS 4.

Question 2

The Board proposes not to change the requirements 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?

7. ESMA strongly agrees with the Boards proposal not to change the requirements in IFRS 9 for comparatives to be presented beginning on or after 1 January 2012 for entities that initially apply IFRS 9 if it were to set the effective date to 1 January 2015 (or 3 years prior to any other effective date after 2015). Such comparatives are essential information for investors.
8. ESMA does not believe that not requiring restatement of comparative information in the first year of application of IFRS 9 would be an adequate alternative to setting an appropriate effective date in the first place.