Deutsches Rechnungslegungs Standards Committee e.V.
Accounting Standards Committee of Germany
Der Standardisierungsrat

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EFRAG
Ms Françoise Flores
35 Square Meeûs

B-1000 Brussels

Berlin, 19 October 2011

Dear Françoise,

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

On behalf of the German Accounting Standards Board (GASB) I am writing to comment on EFRAG's draft comment letter on the IASB's ED/2011/3. We appreciate the opportunity to comment on EFRAG's draft comment letter.

For our arguments, please see the appendix (comment letter to the IASB) attached to this letter.

If you would like to discuss any aspect of this comment letter in more detail, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr
President

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Mr Hans Hoogervorst
Chairman of the
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Berlin, 19 October 2011

Dear Hans,

IASB Exposure Draft ED/2011/3 ñMandatory Effective Date of IFRS 9ò

On behalf of the German Accounting Standards Board (GASB) I am writing to comment on the IASB Exposure Draft ED/2011/3 (herein referred to as œEDô). We appreciate the opportunity to comment on the ED.

In general, we agree with deferring the mandatory application date of IFRS 9 to 1 January 2015 as well as with the reasons behind this proposal. We also agree with not extending the relief with respect to comparative figures upon early application.

Nonetheless, we would like to raise the following issues for further consideration by the Board:

- We believe it is crucial that the IASB does set a target date that is feasible taking the progress made in the remaining phases to date into account and that it should avoid having to defer the effective date yet again.
- We propose to change the relevant date of assessing the business model ï as a condition for classifying financial instruments ï from the date of initial application (beginning of the first period of IFRS 9 application) to the beginning of the comparative reporting period of the first IFRS 9 period.
- We suggest giving entities an option to also apply IFRS 9 to financial instruments that were derecognised during the comparative period (rather than prohibiting from doing so).

Lastly, we urge the IASB to reconsider its strategy as regards voluntary early application of particular phases of IFRS 9. We deem it appropriate not to make available any version of IFRS 9 other than the latest version published.

If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr
President

Appendix – Answers to the questions of the exposure draft

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 deferring the mandatory effective date so as to give entities sufficient lead time to appropriately implement the changes brought about by IFRS 9, especially when two of the three phases have not been finalised. A date of 1 January 2015 seems appropriate based on the information available from the current workplan, i.e. if both IFRS 4 (rev.) and IFRS 9 were to be finalised as envisaged. However, the date should be reasonably certain so that the Board does not need to shift the effective date yet again. If it becomes obvious during the finalisation of this amendment that the current workplan is no longer viable, the IASB should consider adjusting the date in order to allow for sufficient lead time.

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 with the proposal. We acknowledge that this requirement in IFRS 9 was intended to provide relief to those that were early adopting IFRS 9 shortly after finalisation of phase I. We concur that similar relief is not necessary for those applying IFRS 9 early but with sufficient lead time.

Additional comments

Application of IFRS 9 in the comparative period

As currently stated, an entity shall assess the business model criterion for classifying financial instruments on the basis of facts and circumstances that exist at the date of initial application (IFRS 9.7.2.4), being the beginning of the first annual period of IFRS 9 application. That classification is then applied also to the comparative period. We question the validity of such a provision. We believe that retrospective application and, hence, classification of the financial instruments as of the beginning of the comparative period would be more appropriate, given that the effective date was pushed out into the future, so that the start of the comparative period lies now at least two years ahead of where we are now.

In addition, we suggest the IASB reconsiders prohibiting entities from applying IFRS 9 to instruments that were derecognised during the comparative period (IFRS 9.7.2.1). We understand that this provision was meant to be a relief. However, we learned from entities in our constituency that this provision was seen as an obstacle rather than a relief, as for any given period these entities could only apply a framework to the entirety of instruments (i.e. either IAS 39 or IFRS 9). For these entities, it would be burdensome to restate the comparative period to conform to IFRS 9 and to then search for those instruments that were derecognised and have them re-accounted for under the old requirements. We therefore suggest the IASB considers changing the prohibition into an option, so that entities could do either.

Early application of previous versions of IFRS 9

Upon finalisation of the remaining phases of IFRS 9 there will be a whole variety of different versions of IFRS 9 that are up for early adoption. We are cognisant of the economic and political conditions that applied when IFRS 9 was first published and acknowledge that the IASB wanted to give greatest flexibility to entities wishing to early adopt IFRS 9. From today's perspective, however, we question the validity of such an approach and ask the IASB to carefully reconsider whether it would not be more appropriate – notwithstanding grandfathering those entities that have already early adopted – to allow an entity to only early adopt the latest version of IFRS 9. That would mean that an entity could no longer voluntarily choose to just apply the 2009 version dealing with the classification of financial assets only.

We acknowledge that if the latest version was published shortly before the end of the (initial) reporting period, this would not allow for sufficient lead time with regard to the reporting period (and even its comparative period or periods). Hence, some may consider it appropriate to also allow for applying a version before the latest or, more pragmatically, a version that existed for both the comparative and the reporting period. However, if this were allowed it should be taken into account that applying any version before the latest would equal choosing application of new requirements on some but not all of the project phases finalised – due to the phased approach.