20 October 2011

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

Dear Hans

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

The Asian-Oceanian Standard Setters Group (AOSSG) is pleased to provide comments on the Exposure Draft ED/2011/3 *Mandatory Effective Date of IFRS 9* (ED/2011/3). In formulating its views, the AOSSG sought the views of constituents within each jurisdiction.

The AOSSG currently has 25 member standard-setters from the Asian-Oceanian region: Australia, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Thailand, Uzbekistan and Vietnam.

The AOSSG seeks to promote the adoption of IFRSs as well as fostering the capacity of domestic standard setting in the region to contribute to the work of the IASB.

To the extent feasible, this submission to the IASB reflects in broad terms the collective views of AOSSG members. Other views that are consistent or otherwise with the overall AOSSG comments are also provided within this submission. Individual member standard setters may also choose to make separate submissions that are consistent or otherwise with aspects of this submission. The intention of the AOSSG is to enhance the input to the IASB from the Asian-Oceanian region and not to prevent the IASB from receiving the variety of views that individual member standard setters may hold.

This submission has been circulated to all AOSSG members for their comment after having been initially developed through the AOSSG's Financial Instruments Working Group. The AOSSG has not received any substantive contrary views from our constituents.

Overall, the AOSSG appreciates the IASB's efforts to continuously review its progress on the ongoing project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and the effects of the already issued phases of IFRS 9 *Financial Instruments*.

Some AOSSG members agree with the IASB's proposal to amend the mandatory effective date of IFRS 9 to 1 January 2015 as this would provide entities the opportunity to assess their classification and measurement decisions in light of the outcomes of the remaining phases of the project to replace IAS 39.

Other AOSSG members neither agree nor disagree with the proposed mandatory effective date of 1 January 2015, and consider that, given the time-line for completing the remaining phases of the project to replace IAS 39 is still uncertain, the IASB should only determine the mandatory effective date of the completed IFRS 9 once the project as a whole is near completion.

The AOSSG considers the following factors should be considered in setting the mandatory effective date of IFRS 9:

* providing sufficient time for entities to be able to present meaningful comparative information in the first year of application;
* at least three years of lead time from the completion of the project to replace IAS 39; and
* the adoption date for IFRSs in some jurisdictions in the Asian-Oceanian region will be influenced by the mandatory effective dates for the completed IFRS 9 and the completed IFRSs on Insurance Contracts, Leases and Revenue from Contracts with Customers.

The AOSSG notes there are four more phases to the completion of the project to replace IAS 39 and is concerned about the implications of multiple re-issuances of IFRS 9, particularly for comparability of financial reporting across entities. Accordingly, the AOSSG suggests that the IASB considers limiting the number of re-issuances of IFRS 9 and limiting the circumstances in which entities could early adopt an earlier version once a later version has been issued.

The AOSSG is keen to play a key role in the development of a global set of high quality financial reporting standards and trusts that the IASB finds our comments helpful in progressing the replacement standard for IAS 39.

The AOSSG views, as summarised above, are explained in more detail in the attached Appendix.

If you have any queries regarding any matters in this submission, please contact us.

Yours sincerely

Ikuo Nishikawa
Chairman of the AOSSG

Kevin M. Stevenson
Vice-Chairman of the AOSSG and
Leader of the AOSSG Financial
Instruments Working Group

Appendix

1 Deferral of mandatory effective date of IFRS 9 (Question 1)

1.1 The AOSSG agrees with the IASB's rationale in paragraphs BC1 and BC2 of ED/2011/3 and is supportive of the IASB's proposal to defer the mandatory effective date of IFRS 9 beyond 1 January 2013.

1.2 Some AOSSG members agree that the mandatory effective date of IFRS 9 should be amended to 1 January 2015, assuming that the project to replace IAS 39 as a whole would be completed by June 2012, to allow entities the opportunity to assess their classification and measurement decisions once the remaining phases of the project are completed. Some of these members also note that, if the completion of the project to replace IAS 39 extends beyond June 2012, the IASB should re-evaluate the proposed mandatory effective date to beyond 1 January 2015.

1.3 On the other hand, some AOSSG members believe the IASB should determine the mandatory effective date of the next re-issue of IFRS 9 only when the project as a whole is near completion seeing that the time-line for completing the remaining phases of IFRS 9 is still uncertain. These AOSSG members note that this date may be beyond 1 January 2015.

1.4 Some of these AOSSG members recommend that the IASB sets an effective date that ensures sufficient lead time, of at least three years from the completion of the project to replace IAS 39, is provided for entities to implement IFRS 9. In addition, these AOSSG members consider that, should the projects relating to Insurance Contracts, Revenue from Contracts with Customers, and Leases be completed at the same time as the project to replace IAS 39, the mandatory effective dates of these completed Standards should be aligned without causing delays in the issuance of a completed IFRS 9.

1.5 A number of members note that they would be concerned if the IFRS 9 mandatory effective date were revised to 1 January 2015 and subsequently changed again. They consider that repeated changes in the mandatory effective date would result in prolonged incomparability in financial reporting between entities that have early adopted and those who have not, and introduce more complexities in the adoption of IFRS 9. If the IASB were to proceed with its proposal to change the mandatory effective date to 1 January 2015, these members urge the IASB to commit to not changing that date again and completing the necessary remaining phases well within the time-frame.

2 Comparative restatement relief (Question 2)

2.1 The AOSSG acknowledges the IASB's rationale for not extending the relief for restating comparatives to annual reporting periods beginning on or after 1 January 2012.

2.2 Some AOSSG members consider that prior period information presented in financial statements should be comparative and, therefore prepared on a basis consistent with current period information, unless impracticable as defined in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Accordingly, these AOSSG members consider the IASB should set the mandatory effective date of IFRS 9 as a whole with a view to allowing sufficient time for entities to prepare at least one year of comparative prior period information.

2.3 Some AOSSG members consider that the application of comparative restatement relief should be extended to all early adopters of IFRS 9, and not just to early adopters before annual reporting periods beginning before 1 January 2012, as long as these entities early adopt IFRS 9 as a whole, only once, and at the completion of the project to replace IAS 39. These AOSSG members consider that such a relief would be particularly helpful for entities that will need to apply considerable resources to implement and time to plan for the impairment, hedge accounting and offsetting phases.

3 General concerns about the phased approach to IFRS 9

3.1 The AOSSG considers that an issue with replacing IAS 39 on a piecemeal basis, is the cross-cutting matters between phases of the project that have been finalised and those that are underway. The AOSSG considers that, because entities are unable to predict the outcomes of the latter phases of IFRS 9, many prefer not to early adopt the earlier phases. For example, an entity's decision to measure its hybrid asset contracts at fair value or amortised cost may depend on the IASB's decisions made with regard to hedging requirements. Accordingly, many of the benefits of issuing some phases earlier than others are not widely taken up in practice.

3.2 The AOSSG also notes, when a new version of IFRS 9 is issued the former IFRS 9 continues to be made available for early adoption. Currently, IFRS-compliant entities may be applying:

* IAS 39 as a whole;
* IFRS 9 (2009) plus the parts of IAS 39 not dealt with in IFRS 9 (2009), for example, the classification and measurement of financial liabilities, impairment and hedge accounting; or
* IFRS 9 (2010) plus the parts of IAS 39 not dealt with in IFRS 9 (2010), for example, impairment and hedge accounting;

which means financial reporting across IFRS-compliant entities is not comparable.

3.3 Accordingly, the AOSSG recommends limiting the circumstances in which entities could early adopt an earlier version of IFRS 9, for example, IFRS 9 (2009) and IFRS 9 (2010), once a later version has been issued.

3.4 The AOSSG notes there are four more phases to the completion of the project to replace IAS 39 and is concerned about the implications of multiple re-issuances of IFRS 9, particularly for comparability of financial reporting across entities. Accordingly, the AOSSG recommends that the IASB considers limiting the number of re-issuances of IFRS 9. Preferably, the next re-issue of IFRS 9 should encompass both the hedge accounting phase (as a whole) and the impairment phase.

3.5 The AOSSG recommends that, in future, the IASB refrains from releasing new and revised IFRSs in phases because of the issues cited above regarding the lack of comparability of financial reporting.