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Exposure Draft ED/2011/3

Mandatory Effective Date of IFRS 9

Comments to be received by 21 October 2011

Exposure Draft

Mandatory Effective Date of IFRS 9

**(proposed amendment to
IFRS 9 (November 2009) and
IFRS 9 (October 2010))**

Comments to be received by 21 October 2011

ED/2011/3

This exposure draft *Mandatory Effective Date of IFRS 9* is published by the International Accounting Standards Board (IASB) for comment only. The proposals may be modified in the light of the comments received before being issued in final form as an amendment to IFRS 9. Comments on the exposure draft and the Basis for Conclusions should be submitted in writing so as to be received by **21 October 2011**. Respondents are asked to send their comments electronically to the IFRS Foundation website (www.ifrs.org), using the 'Comment on a proposal' page.

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AND IFRS 9 *FINANCIAL INSTRUMENTS* (OCTOBER 2010)**

APPROVAL BY THE BOARD OF *MANDATORY EFFECTIVE DATE OF IFRS 9*

BASIS FOR CONCLUSIONS

Introduction

- IN1 The International Accounting Standards Board (IASB) has published this exposure draft of proposed amendments to IFRS 9 *Financial Instruments* (issued November 2009) and IFRS 9 *Financial Instruments* (issued October 2010)—referred to as IFRS 9 (2009) and IFRS 9 (2010) in this document respectively, or as IFRS 9 collectively—to propose changing the mandatory effective date of 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 rather than being required to apply them for annual periods beginning on or after 1 January 2013. Early application of both would continue to be permitted.
- IN2 The Board has undertaken the project to replace IAS 39 *Financial Instruments: Recognition and Measurement* in several phases. The first phase of that project addressed the classification and measurement of financial instruments and resulted in the issue of IFRS 9 (2009) and IFRS 9 (2010). IFRS 9 (2009) addressed only financial assets. IFRS 9 (2010) amended the 2009 version to address financial liabilities as well as financial assets. Entities that elect to apply IFRS 9 (2009) before its effective date are not subsequently required to also apply IFRS 9 (2010) before its effective date. Consequently, although the 2010 version superseded the 2009 version, the 2009 version continues to apply.
- IN3 The Board has developed the proposals in this exposure draft because of the extension of the Board's time line for completion of the remaining phases of the project to replace IAS 39 beyond June 2011. The Board's intention, stated in the Basis for Conclusions of IFRS 9^{*}, has been to allow entities to apply the guidance from all phases of the project to replace IAS 39 at the same time. The Board has developed the proposals having considered constituents' views since the publication of IFRS 9 (2009) and IFRS 9 (2010), including responses to the *Request for Views on Effective Dates and Transition Methods* published in October 2010, and comments made during outreach on the project to replace IAS 39.

Next steps

- IN4 The Board will consider the comments it receives on the proposals and will decide whether to proceed with an amendment to IFRS 9 (2009) and IFRS 9 (2010).

* Paragraphs BC92 and BC93 of IFRS 9 (2009) and BC7.3 and BC7.4 of IFRS 9 (2010)

Invitation to comment

The Board invites comments on the proposals in this exposure draft, particularly on the questions set out below. Comments are most helpful if they:

- (a) comment on the questions as stated;
- (b) indicate the specific paragraph or group of paragraphs to which they relate;
- (c) contain a clear rationale; and
- (d) include any alternative the Board should consider, if applicable.

In this exposure draft, the Board is not requesting comments on matters in IFRS 9 (2009) or IFRS 9 (2010) not addressed in the exposure draft.

Comments should be submitted in writing so as to be received no later than 21 October 2011.

Effective Date

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?

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?

[Draft] Amendments to IFRS 9 *Financial Instruments* (November 2009) and IFRS 9 *Financial Instruments* (October 2010)

Paragraph 8.1.1 of IFRS 9 (2009) is amended (deleted text is struck through and new text is underlined).

8.1 Effective date

- 8.1.1** An entity shall apply this IFRS for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies this IFRS in its financial statements for a period beginning before 1 January 2013, it shall disclose that fact and at the same time apply the amendments in Appendix C.

Paragraphs 7.1.1 and 7.3.2 of IFRS 9 (2010) are amended (deleted text is struck through and new text is underlined).

7.1 Effective date

- 7.1.1** An entity shall apply this IFRS for annual periods beginning on or after 1 January 2013. Earlier application is permitted. However, if an entity elects to apply this IFRS early and has not already applied IFRS 9 issued in 2009, it must apply all of the requirements in this IFRS at the same time (but see also paragraph 7.3.2). If an entity applies this IFRS in its financial statements for a period beginning before 1 January 2013, it shall disclose that fact and at the same time apply the amendments in Appendix C.

7.3 Withdrawal of IFRIC 9 and IFRS 9 (2009)

- 7.3.2** This IFRS supersedes IFRS 9 issued in 2009. However, for annual periods beginning before 1 January 2013, an entity may elect to apply IFRS 9 issued in 2009 instead of applying this IFRS.

Approval by the Board of *Mandatory Effective Date of IFRS 9* published in August 2011

The exposure draft *Mandatory Effective Date of IFRS 9* was approved for publication by all fifteen members of the International Accounting Standards Board.

Hans Hoogervorst

Chairman

Ian Mackintosh

Vice-Chairman

Stephen Cooper

Philippe Danjou

Jan Engström

Patrick Finnegan

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Prabhakar Kalavacherla

Elke König

Patricia McConnell

Takatsugu Ochi

Paul Pacter

Darrel Scott

John T Smith

Wei-Guo Zhang

Basis for Conclusions on proposed amendments to IFRS 9 *Financial Instruments* (November 2009) and IFRS 9 *Financial Instruments* (October 2010)

This Basis for Conclusions accompanies, but is not part of, the draft amendments.

- BC1 IFRS 9 was issued with a mandatory effective date of 1 January 2013. At the time of selecting the mandatory effective date the Board noted that it would consider delaying the effective date of IFRS 9, if:
- (a) the impairment phase of the project to replace IAS 39 made such a delay necessary; or
 - (b) the new standard on insurance contracts had a mandatory effective date later than 2013, to avoid an insurer having to face two rounds of changes in a short period.*
- BC2 In order to enable an appropriate period for implementation before the mandatory application date of the new requirements, the impairment and hedge accounting phases of the project to replace IAS 39 will not be mandatory for periods beginning before 1 January 2013. In addition, any new requirements for the accounting for insurance contracts will not have a mandatory effective date as early as 1 January 2013.
- BC3 The Board confirmed the importance of allowing entities to apply the requirements of all of the phases of the project to replace IAS 39 at the same time. They also confirmed that the date of initial application of any new requirements for the accounting for insurance contracts needs to be considered. As a result of these considerations, the Board proposed that the mandatory effective date of IFRS 9 (2009) and IFRS 9 (2010) should be deferred to annual periods beginning on or after 1 January 2015. The Board noted that they did not want to discourage entities from applying IFRS 9 and stressed that early application of IFRS 9 would still be permitted.
- BC4 IFRS 9 provides limited relief from restating comparatives.† It states that an entity that adopts the IFRS for reporting periods beginning before 1 January 2012 need not restate prior periods. The Board's view in the Basis for Conclusions§ to IFRS 9 was that waiving the requirement to restate comparatives strikes a balance between the conceptually

* Paragraphs BC92 and BC93 of IFRS 9 (2009) and BC7.3 and BC7.4 of IFRS 9 (2010)

† Paragraphs 8.2.12 of IFRS 9 (2009) and 7.2.14 of IFRS 9 (2010)

§ Paragraphs BC107 of IFRS 9 (2009) and BC7.21 of IFRS 9 (2010)

preferable method of full retrospective application (as stated in IAS 8) and the practicability of adopting the new classification model within a short time frame. However, the Board noted that these practicability considerations would be less applicable for entities that adopted outside a short time frame, and therefore restated comparative information was required if an entity adopts IFRS 9 for reporting periods beginning on or after 1 January 2012. The relief was provided to enable entities to apply IFRS 9 soon after it was issued, hence its limited term. The Board noted that some respondents have requested that the relief from providing comparatives should be extended, particularly in view of the requirement to continue to apply IAS 39 to financial instruments that are derecognised prior to the date of initial application of IFRS 9. However, the Board's rationale for its decision on comparative relief when issuing IFRS 9 has not been affected by changes in circumstances (ie unlike the mandatory effective date). Therefore, the Board proposes not to change the requirement in IFRS 9 for comparatives to be presented by entities that initially apply IFRS 9 for reporting periods beginning on or after 1 January 2012.