



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores

8 February 2011

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Ref: 2011/JE/TCSC1/IASB/16

**Re: Request for Views on Effective Dates and Transition Methods**

Dear IASB Members

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting (Standing Committee No. 1) thanks you for the opportunity to provide our comments regarding the International Accounting Standards Board (IASB or the Board) Request for Views on Effective Dates and Transition Methods (the Request for Views).

IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of Standing Committee No. 1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. Unless otherwise noted, the comments we have provided herein reflect a general consensus among the members of Standing Committee No. 1 and are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

**Responses to the Board's Questions**

We have not responded to Question 1 because our role as securities regulators is evident from the name of our organization. We have not responded to Question 2 because we believe that question to be of limited applicability in our role.

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**Question 3:**

Do you foresee other effects on the broader financial reporting system arising from these new IFRSs? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

**Response:**

We believe that there will be many effects on the broader financial reporting system, and that these will vary by jurisdiction and by industry. We believe that financial reporting standards applied in financial statements must meet the needs of investors as a matter of primacy. That said, while it may not be desirable or practical in every case to attempt to “align” the accounting standards adoption with the implementation of regulatory rules, we encourage the IASB to continue its outreach with, for example, prudential regulators, with a view to ensuring that such regulators have sufficient time to understand and respond to the way in which accounting standards affect the regulatory framework, as well as ensuring preparers are given sufficient time for implementation.

**Question 4:**

Do you agree with the transition method as proposed for each project, when considered in the context of a broad implementation plan covering all the new requirements? If not, what changes would you recommend, and why? In particular, please explain the primary advantages of your recommended changes and their effect on the cost of adapting to the new reporting requirements.

**Response:**

In general, we support a full retrospective adoption model as a default position, with some reasonable allowance for impracticability using the existing model in IAS 8. We would encourage the IASB to require full retrospective application in this way more often than is currently the case unless there are strong arguments against it, for example, if costs clearly outweigh benefits from an investor standpoint. The rationale for our view is that comparability – both across entities and over time – is a key element of financial reporting and the use made of financial statements by investors.

Of the projects listed in paragraph 18 of the Request for Views, only one – Fair Value Measurement – is proposed for prospective application. We believe that prospective application is acceptable in the case of this project because the proposed requirements represent more of a “framework” than the accounting requirements proposed in the other projects.

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## **Question 5:**

In thinking about an overall implementation plan covering all of the standards that are the subject of this Request for Views:

- a) Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimise the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimising disruption, or other synergistic benefits).
- b) Under a single date approach and assuming the projects noted in the introduction are completed by June 2011, what should the mandatory effective date be and why?
- c) Under the sequential approach, how should the new IFRSs be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new IFRSs.
- d) Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

## **Response:**

We believe that a single date approach has merit. It would result in fewer year-to-year comparability issues for investors than a sequential approach, which we believe to be an important consideration. From the standpoint of preparers, and consequently their investors, there would be benefit from not having to renegotiate agreements tied to financial metrics, such as debt covenants, multiple times. If this is the approach chosen, it is important the date selected provides users, including investors and preparers, sufficient time to ready themselves for the change.

We would note that, under a single date approach, if any one standard-setting project were delayed (which would thus delay the implementation of all new standards), implementation decisions should be revisited. We believe that it would generally not be of overall benefit to delay implementation of all other new standards due to a delay in a single project.

While we believe that a single date approach has merit, we also note that the complexity of some of the projects listed in paragraph 18 of the Request for Views may necessitate a longer lead time than other projects. With this context, a sequenced approach may facilitate the earlier introduction of new standards that can be adopted more quickly. This would result in earlier realization of the benefits of improved financial reporting brought about by those standards. We also believe that sequencing the introduction of standards will allow preparers

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greater opportunity to focus on the new standards applicable in any given period, which should benefit the quality of financial reporting.

We believe that complexity and its consequent impact on lead times, together with logical linkages between standards, would be key drivers for a sequential implementation timetable. To elaborate:

- Level of complexity and the consequent lead time required—Some of the proposed standards are more evolutionary rather than revolutionary, and so are likely to require a relatively shorter lead time. This is likely to be the case for standards on Post-Employment Benefits – Defined Benefit Plans, Fair Value Measurement, and Presentation of OCI.
- Linkages between standards—A standard resulting from the project on Financial Instruments (IFRS 9) should be implemented no later than a standard resulting from the project on Insurance Contracts, given the linkage between them in terms of balance sheet measurement. There are also areas of linkage between the projects on Revenue from Contracts with Customers and Leases. Accordingly, there would be advantages to implementing standards resulting from those projects at the same time.

**Question 6:**

Should the IASB give entities the option of adopting some or all of the new IFRSs before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

**Response:**

In our response to Question 5, we discussed the benefit of earlier introduction of new standards that can be adopted more quickly in order to realize the improved financial reporting brought about by those standards. Consistent with that response, some members believe that entities should not be precluded from early adopting improved accounting standards if they are prepared to do so. Those members believe that early adoption would need to be accompanied by adequate disclosure to enable investors' understanding of the impact of the early-adopted standards.

Other members believe that early adoption of standards would unnecessarily create a lack of comparability in financial reporting for a period of time and that early adoption should therefore not be permitted (other than in jurisdictions that are newly adopting or have recently adopted IFRS, as discussed in our response to Question 8).

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**Question 7:**

Do you agree that the IASB and FASB should require the same effective dates and transition methods for their comparable standards? Why or why not?

**Response:**

We believe consistent effective dates and transition methods should be an objective of the IASB and FASB, but that this should not be an overriding consideration if one Board is ready to adopt improved standards before the other.

**Question 8:**

Should the IASB permit different adoption dates and early adoption requirements for first-time adopters of IFRSs? Why, or why not? If yes, what should those different adoption requirements be, and why?

**Response:**

We believe that different adoption requirements should be permitted for first-time adopters to avoid entities having to adopt one new set of requirements through adoption of a previous IFRS and, shortly thereafter, another new set of requirements through adoption of a replacement standard. This could be achieved if first-time adopters were permitted to adopt new finalized standards upon their initial adoption of IFRS, even if this is earlier than the date on which the new standards would otherwise be effective.

In the event that such early adoption of new standards is not permitted for first-time adopters, we believe that first-time adopters should be allowed deferred adoption of new standards, such that they have a period of stability after initial adoption of IFRS, before having to adopt the requirements of new standards. We note that such accommodations may be necessary for jurisdictions that are currently adopting IFRS, in addition to those jurisdictions that would be in the same situation in the future.

If a deferred adoption approach were employed for new standards, some members have expressed support for entities being able to have a period of stability after adopting IFRS as suggested in paragraph 27(b) of the Request for Views, which gave as an example a period of two years. Other members believe that a stable platform should be available for a period longer than two years. Any special concessions for countries adopting IFRS for the first time should apply on a transitional basis and the Board should consider prescribing the period after which concessions would expire.

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**Concluding Remarks:**

We note that the above observations are made in the context of current proposed standards and the current standard-setting timeline, significant changes to either of which could change certain of our responses. We believe that under any circumstance, the Boards should pay careful attention to ensuring that there is adequate lead time permitted for preparers to be able to properly implement new standards in order to facilitate quality financial reporting for investors.

\* \* \* \*

We appreciate your thoughtful consideration of the comments raised in this letter. If you have any questions or need additional information on the recommendations and comments that we have provided, please do not hesitate to contact me at 202-551-5300.

Sincerely,

Julie A. Erhardt  
Chairman  
IOSCO Standing Committee No. 1  
International Organization of Securities Commissions

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