

The Association of Corporate Treasurers

Comments in response to ***ED/2011/3 Mandatory Effective Date of IFRS 9*** International Accounting Standard Board, August 2011

October 2011

The Association of Corporate Treasurers (ACT)

The ACT is a professional body for those working in corporate treasury, risk and corporate finance. Further information is provided at the back of these comments and on our website www.treasurers.org.

Contact details are also at the back of these comments.

We canvas the opinion of our members through seminars and conferences, our monthly e-newsletter to members and others, *The Treasurer magazine*, topic-specific working groups and our Policy and Technical Committee.

General

The ACT welcomes the opportunity to comment on this matter.

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IFRS 9 is made up of three phases: (i) Classification and Measurement, (ii) Hedge accounting (sub-divided into general hedge accounting and macro hedge accounting), and (iii) Impairment. For non-financial corporates the biggest impact by far is the general hedge accounting section.

The IFRS 9 hedge accounting exposure draft, although not yet final, has a number of positive changes for corporate treasurers. These include:

- Removing the 80-125% threshold for hedge effectiveness testing;
- No longer requiring retrospective effectiveness testing;
- Deferring the change in time value for financial options to Other Comprehensive Income (OCI);

- Allowing components of non-financial items as hedged items; and
- Enabling a derivative to be a hedged item if it is combined with an eligible non-derivative hedged item.

Question 1:

The Board proposed to amend IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual period beginning on or after 1 January 2015. Do you agree? Why or why not? If not, what alternative do you propose?

We agree with the postponement of the mandatory effective date of IFRS 9 and welcome the flexibility of the IASB allowing corporates to early adopt.

We perceive the benefits to delaying the effective date to 1 January 2015 being:

- All parts of IFRS 9 are adopted together. This includes Classification and Measurement (completed); Hedge Accounting (due for completion by end of this year); Macro-hedging (not yet completed); and Impairment (not yet completed)
- There is potentially a better chance of alignment with FASB
- IFRS 9 is adopted at the same time as other big impact accounting standards such as leases.

Whilst we welcome the Board permitting early adoption a significant proportion of companies applying International Accounting Standards reside within the European Union and cannot legally apply IFRS 9 until it is endorsed by the European Commission. Once the hedge accounting standard is finalised, any delay to endorsement by the European Commission will cause comparability issues between member and non-member states and other international corporate financial statements. Although we recognise this is not within the remit of the IASB we believe it is worth mentioning.

Question 2:

The Board proposed 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 that entities adopting IFRS 9 on or after 1 January 2012 should be required to restate comparatives.

The Association of Corporate Treasurers

The Association of Corporate Treasurers (ACT) is the leading professional body for international treasury providing the widest scope of benchmark qualifications for those working in treasury, risk and corporate finance. Membership is by examination. We define standards, promote best practice and support continuing professional development. We are the professional voice of corporate treasury, representing our members.

Our 4,200 members work widely in companies of all sizes through industry, commerce and professional service firms.

For further information visit www.treasurers.org

Guidelines about our approach to policy and technical matters are available at <http://www.treasurers.org/technical/manifesto>.

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