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17 October 2011

**Re: *EFRAG draft comment letter on IASB ED Mandatory Effective Date of IFRS 9***

Dear Françoise,

I am writing on behalf of the Italian Standards Setter (OIC) to respond to the EFRAG draft comment letter on IASB Exposure Draft Mandatory Effective Date of IFRS 9 ('the ED').

The OIC welcomes the IASB's efforts to postpone the mandatory effective date of IFRS 9.

Basically we agree with the EFRAG draft comment letter in response to the IASB exposure draft. In particular, we agree that the IASB should not set a mandatory date for the adoption of the IFRS 9. Instead a transitional period of at least three years should be provided starting from the date of issuance of all the phases of IFRS 9 (including the macro hedging) and the related effect analysis.

While we agree with the draft comment letter of EFRAG regarding the requirement to adopt in the same period the standards on financial instruments and on the insurance contracts, we do think that this requirement should be extended to the standards on leases and revenue recognition. In fact, all these standards are deeply interrelated and may have a significant impact on financial entities.

In relation to the early adoption, we appreciate the decision of EFRAG TEG to stimulate the debate on such a critical issue, adding a question to constituents in the draft comment letter. In general we do not feel comfortable with the early adoption clause because it threatens the comparability of financial statements; in the case of IFRS 9, this sentiment is even more negative, because this standard deals with mainly the banking activity which is supervised on the basis of prudential ratios and, therefore, requires an adequate level playing field.

Moreover, even if IFRS 9 as a general rule requires retrospective application in accordance with IAS 8, it contains significant exemptions from this principle. Retrospective application of a standard minimizes the differences among entities arising from application in different periods. This is not the case of IFRS 9.

Bearing in mind these general concerns, our detailed responses to the ED questions are in the appendix 1.

If you have any queries concerning our comments, please do not hesitate to contact us.

Yours faithfully,  
Angelo Casò  
(Chairman)

## **APPENDIX 1: detailed responses**

### **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?*

In general, we agree with the proposal to change the mandatory effective date of IFRS 9. However, we believe that it should be better to allow entities at least three/four years to implement IFRS 9 after the issuing of the residual phases of the financial instruments project (including the macro hedging) and the new standard on insurance contracts, rather than defining a fixed date.

With regard to the decision to continue to permit the early adoption, as noted in the cover letter, we believe that early adoption clause would not be appropriate because it could create significant concerns about the comparability of consolidated financial statements. For instance, at the end of an annual period before the new mandatory effective date, three different scenarios could take place:

- 1) the entities continue to apply the IAS 39;
- 2) the entities apply IFRS 9 (2009) early;
- 3) the entities apply IFRS 9 (2010) early.

The advantages granted to those single entities opting for the early implementation of IFRS 9 would be nullified by the informative disorder on the financial market, making it impossible to conduct reliable comparative analyses among different entities.

With regard to supervised intermediaries, the adoption of different accounting rules could have influence the calculation of prudential ratios (e.g. solvency ratio). The Authorities should then be forced to “equalize” these different prudential ratios through the application of onerous “prudential filters” in order to restore the necessary “level playing field”. Also the calculation of leverage ratio, based on accounting data, could result conditioned.

In addition, in those country where IFRSs are applied to individual financial statements, the issuance of new standards implies a corresponding adaptation of national civil and fiscal rules: again, when early adoption is allowed, the domestic legislator has to manage potentially different accounting rules in order to ensure an equal treatment to all entities. This makes higher the costs of the regulation.

We understand the need for first-time adopters to have an early adoption option in order to avoid a first-time adopter having two rounds of changes in a short period.

For these reasons, we suggest that the IASB allow early adoption of IFRS 9 only for first-time adopters.

As noted in our comment letter on the Request for views on Effective Dates and Transition Methods, we believe that the effective dates of IFRS 9 and the new standard on insurance contracts should be aligned with those of the future standards on revenue recognition and leases. In fact, these standards have a significant impact on the way entities report the performance of their business, they affect a large number of items and transitions and their scope are closely related. For these reasons, we believe that a same mandatory effective date should be required for all the four standards.

### **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 EFRAG draft comment letter.

If you have any queries concerning our comments, please do not hesitate to contact us.

Yours faithfully,  
Angelo Casò  
(Chairman)