

MANDATORY EFFECTIVE DATE OF IFRS 9 AND TRANSITION DISCLOSURES  
(AMENDMENTS TO IFRS 9 (2009), IFRS 9 (2010) AND IFRS 7—DECEMBER 2011)

*Mandatory Effective Date of IFRS 9 and Transition Disclosures* (Amendments to IFRS 9 (2009), IFRS 9 (2010) and IFRS 7) is issued by the International Accounting Standards Board (IASB), 30 Cannon Street, London EC4M 6XH, United Kingdom.

Tel: +44 (0)20 7246 6410

Fax: +44 (0)20 7246 6411

Email: [iasb@ifrs.org](mailto:iasb@ifrs.org)

Web: [www.ifrs.org](http://www.ifrs.org)

The IASB, the IFRS Foundation, the authors and the publishers do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

Copyright © 2011 IFRS Foundation®

ISBN: 978-1-907877-48-3

International Financial Reporting Standards (including International Accounting Standards and SIC and IFRIC Interpretations), Exposure Drafts, and other IASB publications are copyright of the IFRS Foundation. The approved text of International Financial Reporting Standards and other IASB publications is that published by the IASB in the English language. Copies may be obtained from the IFRS Foundation. Please address publications and copyright matters to:

IFRS Foundation Publications Department,

1st Floor, 30 Cannon Street, London EC4M 6XH, United Kingdom.

Tel: +44 (0)20 7332 2730 Fax: +44 (0)20 7332 2749

Email: [publications@ifrs.org](mailto:publications@ifrs.org) Web: [www.ifrs.org](http://www.ifrs.org)

All rights reserved. No part of this publication may be translated, reprinted or reproduced or utilised in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or in any information storage and retrieval system, without prior permission in writing from the IFRS Foundation.



The IFRS Foundation logo/the IASB logo/‘Hexagon Device’, ‘IFRS Foundation’, ‘eIFRS’, ‘IAS’, ‘IASB’, ‘IASC Foundation’, ‘IASCF’, ‘IFRS for SMEs’, ‘IASs’, ‘IFRIC’, ‘IFRS’, ‘IFRSs’, ‘International Accounting Standards’, ‘International Financial Reporting Standards’ and ‘SIC’ are Trade Marks of the IFRS Foundation.

**Approval by the Board of *Mandatory Effective Date of IFRS 9 and Transition Disclosures* (Amendments to IFRS 9 (2009), IFRS 9 (2010) and IFRS 7) issued in December 2011**

---

*Mandatory Effective Date of IFRS 9 and Transition Disclosures* (Amendments to IFRS 9 (2009), IFRS 9 (2010) and IFRS 7) was approved for publication by fourteen of the fifteen members of the International Accounting Standards Board. Ms McConnell dissented from the issue of the amendments. Her dissenting opinion is set out after the Basis for Conclusions.

Hans Hoogervorst                      Chairman

Ian Mackintosh                      Vice-Chairman

Stephen Cooper

Philippe Danjou

Jan Engström

Patrick Finnegan

Amaro Luiz de Oliveira Gomes

Prabhakar Kalavacherla

Elke König

Patricia McConnell

Takatsugu Ochi

Paul Pacter

Darrel Scott

John T Smith

Wei-Guo Zhang

## Amendments to the Implementation Guidance of IFRS 9 *Financial Instruments* (2010)

After paragraph IE5 of IFRS 9 (2010), the heading and paragraph IE6 are added.

### Disclosures on Transition from IAS 39 to IFRS 9

IE6 The following illustration is an example of one possible way to meet the quantitative disclosure requirements in paragraphs 44S–44W of IFRS 7 at the date of initial application of IFRS 9. However, this illustration does not address all possible ways of applying the disclosure requirements of this IFRS.

#### Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 at 1 January 2015

Financial assets	(i)	(ii)	(iii)	(iv) = (i) + (ii) + (iii)	(v) = (iii)
	<u>IAS 39</u> <u>carrying amount</u> <u>31 December</u> <u>2014 (1)</u>	<u>Reclassification</u> <u>s</u>	<u>Remeasuremen</u> <u>ts</u>	<u>IFRS 9</u> <u>carrying</u> <u>amount</u> <u>1 January</u> <u>2015</u>	<u>Retained</u> <u>earnings effect</u> <u>on 1 January</u> <u>2015 (2)</u>
<u>Measurement category:</u>					
<b>Fair value through profit or loss</b>					
<i>Additions:</i>					
From available for sale (IAS 39)		(a)			(c)
From amortised cost (IAS 39)					
–required reclassification		(b)			
From amortised cost (IAS 39)					
–fair value option elected at 1 January 2015					
<i>Subtractions:</i>					
To amortised cost (IFRS 9)					
<b>Total change to fair value through profit or loss</b>					
<b>Fair value through other comprehensive income</b>					
<i>Additions:</i>					
From fair value through profit or loss (fair value option under IAS 39)–fair value through other comprehensive income elected at 1 January 2015					
From cost (IAS 39)					
<i>Subtractions:</i>					
Available for sale (IAS 39) to fair value through profit or loss (IFRS 9)					(d)
Available for sale (IAS 39) to amortised cost (IFRS 9)					(e)
<b>Total change to fair value through other comprehensive income</b>					
<b>Amortised cost</b>					
<i>Additions:</i>					
From available for sale (IAS 39)					(f)
From fair value through profit or loss (IAS 39)–required reclassification					
From fair value through profit or loss (IAS 39)–fair value option revoked at 1 January 2015					
<i>Subtractions:</i>					

MANDATORY EFFECTIVE DATE OF IFRS 9 AND TRANSITION DISCLOSURES  
(AMENDMENTS TO IFRS 9 (2009), IFRS 9 (2010) AND IFRS 7—DECEMBER 2011)

To fair value through profit or loss (IFRS 9)  
–required reclassification

To fair value through profit or loss (IFRS 9)  
–fair value option elected at 1 January 2015

**Total change to amortised cost**

**Total financial asset balances,  
reclassifications and remeasurements  
at 1 January 2015**

			(iv) =
			(i) + (ii) +
(i)	Total (ii) = 0	(iii)	(iii)

- (1) Includes the effect of reclassifying hybrid instruments that were bifurcated under IAS 39 with host contract components of (a), which had associated embedded derivatives with a fair value of X at 31 December 2014, and (b), which had associated embedded derivatives with a fair value of Y at 31 December 2014.
- (2) Includes (c), (d), (e) and (f), which are amounts reclassified from other comprehensive income to retained earnings at the date of initial application.

**Fair value through profit or loss**

*Additions:*

From amortised cost (IAS 39)–fair value  
option elected at 1 January 2015

*Subtractions:*

To amortised cost (IFRS 9)–fair value option  
revoked at 1 January 2015

**Total change to fair value through profit or  
loss**

**Amortised cost**

*Additions:*

From fair value through profit or loss (IAS 39)  
–required reclassification

From fair value through profit or loss (IAS 39)  
–fair value option revoked at 1 January 2015

*Subtractions:*

To fair value through profit or loss (IFRS 9)  
–fair value option elected at 1 January 2015

**Total change to amortised cost**

**Total financial liability balances,  
reclassifications and remeasurements  
at 1 January 2015**

			(iv) =
			(i) + (ii) +
(i)	Total (ii) = 0	(iii)	(iii)

**Total change to retained earnings  
at 1 January 2015**

**(v) = (iii)**

**Note:** This illustration assumes that the entity's date of initial application for IFRS 9 (2009) and IFRS 9 (2010) is 1 January 2015.

## Amendments to the Bases for Conclusions of IFRS 9 *Financial Instruments* (2009) and IFRS 9 *Financial Instruments* (2010)

After paragraph BC7.9 of IFRS 9 (2010) [paragraph BC95 of IFRS 9 (2009)], the heading and paragraphs BC7.9A–BC7.9E [BC95A–BC95E] are added.

### Mandatory Effective Date of IFRS 9—November 2011

BC7.9A IFRS 9 (2009) and IFRS 9 (2010) were issued with a mandatory effective date of 1 January 2013. At the time, 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.

BC7.9B In July 2011 the Board noted that in order to enable an appropriate period for implementation before the mandatory effective date of the new requirements, the impairment and hedge accounting phases of the project to replace IAS 39 would not be mandatory for periods beginning before 1 January 2013. In addition, any new requirements for the accounting for insurance contracts would not have a mandatory effective date as early as 1 January 2013.

BC7.9C As a result of these considerations, in August 2011 the Board issued the exposure draft ED/2011/3 *Mandatory Effective Date of IFRS 9*. In the exposure draft, 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 it did not want to discourage entities from applying IFRS 9 and stressed that early application would still be permitted.

BC7.9D In its redeliberations on the exposure draft in November 2011, the Board decided to confirm its proposal and change the effective date of IFRS 9 (2009) and IFRS 9 (2010) so that IFRS 9 would be required to be applied for annual periods beginning on or after 1 January 2015. In doing so, the Board noted that there are compelling reasons for all project phases to be implemented at the same time and that, based on current circumstances, it is still appropriate to pursue an approach of requiring the same effective date for all phases of this project.

BC7.9E However, the Board noted that it is difficult to assess the amount of lead time that will be necessary to implement all phases of the project because the entire project to replace IAS 39 is not yet complete. Ultimately this may affect the Board's conclusion on the appropriateness of requiring the same mandatory effective date for all phases of this project.

After paragraph BC7.34 of IFRS 9 (2010) [paragraph BC117 of IFRS 9 (2009)], the heading and paragraphs BC7.34A–BC7.34M [BC117A–BC117M] are added.

### Disclosures on Transition from IAS 39 to IFRS 9—November 2011

BC7.34A When IFRS 9 (2009) and IFRS 9 (2010) were issued, they provided limited relief from restating comparative financial statements. Entities that adopted the IFRS for reporting periods beginning before 1 January 2012 were not required to restate prior periods. At the time, the Board's view was that waiving the requirement to restate comparative financial statements struck a balance between the conceptually 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.

BC7.34B In August 2011 the Board issued ED/2011/3 *Mandatory Effective Date of IFRS 9*. At the time, the Board noted that these practicability considerations would be less relevant for entities that adopted outside a short time frame, and therefore proposed that restated comparative financial statements would continue to be required if an entity adopts IFRS 9 for reporting periods beginning on or after 1 January 2012.

BC7.34C Some respondents to the exposure draft believed that comparative financial statements should be required to be restated for the following reasons:

- (a) The presentation of restated comparative financial statements is consistent with IAS 8.
- (b) A delay in the mandatory effective date of IFRS 9 would allow a sufficient time frame for entities to prepare restated comparative financial statements.
- (c) IAS 39 and IFRS 9 are sufficiently different from each other, so restatement will be necessary to provide meaningful information to users of financial statements.

BC7.34D In contrast, those who did not believe that comparative financial statements should be required to be restated argued that:

- (a) Comparative relief was granted for IAS 32 and IAS 39 upon first-time adoption of IFRSs for European reporting entities.
- (b) Comparability is impaired by the transition requirements, which are complex and inconsistent across various phases of the project, reducing the usefulness of the comparative information (for example, the classification and

measurement phase requires retrospective application with some transition reliefs, whereas the hedge accounting phase requires prospective application).

- (c) Time pressures similar to those existing when IFRS 9 (2009) and IFRS 9 (2010) were initially issued will nonetheless exist when the last phase of the project to replace IAS 39 is issued.

BC7.34E Respondents to the exposure draft ED/2011/3 also raised specific implementation issues that increased the cost of applying the classification and measurement requirements of IFRS 9 in periods prior to their date of initial application. These reasons were the interaction between the date of initial application and:

- (a) the fact that IFRS 9 must not be applied to items that have already been derecognised as of the date of initial application;
- (b) the initial business model determination; and
- (c) the fair value option and fair value through other comprehensive income elections at the date of initial application.

BC7.34F In providing views on their preferred transition approach for the project to replace IAS 39, investors consistently emphasised a need for comparable period-to-period information—that is, information that enabled them to understand the effect of the transition from IAS 39 to IFRS 9. Investors, irrespective of their preferred approach, noted that the mix of transition requirements between phases, and the modifications to retrospective application in the classification and measurement phase, would diminish the usefulness of comparative financial statements. Many also noted that the partial restatement of comparative financial statements could create either confusion or a misleading impression of period-to-period comparability.

BC7.34G Some investor respondents, despite sharing the views in the preceding paragraph, favoured the presentation of comparative financial statements with full retrospective application of all project phases (ie including hedge accounting) as the preferred way of achieving comparability. Some of the respondents who favoured full retrospective application agreed that the modifications to retrospective application would diminish the usefulness of comparative financial statements but believed that the effect of the modifications would not be significant.

BC7.34H Due to the variation in transition requirements of the phases in the project to replace IAS 39, other investors did not favour the presentation of restated comparative financial statements. Their primary concern was having information that enabled them to understand the effect of the transition from IAS 39 to IFRS 9. They did not believe that restating comparative financial statements on the basis of the transition requirements across the phases of IFRS 9 would necessarily provide that information.

BC7.34I In addition to feedback on their preferred approach to understanding the effect of the transition to IFRS 9, investors also provided information on what they focus on when analysing financial instruments in financial statements. They noted that the statement of profit or loss and other comprehensive income (and restatement of it in comparative periods) is less important to their analysis than the statement of financial position, aside from situations where it allows for a link to the statement of financial position (for example net interest income). Similarly, where restatement means primarily the presentation of historical fair value changes, comparative information is less useful as extrapolation is not possible in the same way as it is for amortised cost information.

BC7.34J Investors also provided feedback on those disclosures that would be useful in understanding the transition from IAS 39 to IFRS 9. They cited examples that they found useful on the transition from other GAAPs to IFRSs in Europe in 2005. It was also noted that disclosures similar to those required by IFRS 7 *Financial Instruments: Disclosures* for transfers of financial assets between classification categories would be useful—ie disclosures about reclassifications are also useful when the reclassifications result from applying a new accounting standard.

BC7.34K In the light of this feedback received, the Board considered whether modified transition disclosures could provide the information necessary for investors to understand the effect of the transition from IAS 39 to IFRS 9, while reducing the burden on preparers that would result from the restatement of comparative financial statements. The Board also considered whether this approach would address concerns about the diminished usefulness and period-to-period comparability of comparative financial statements due to the different transition requirements of the phases of the project to replace IAS 39. The Board believes that modified disclosures can achieve these objectives and decided to require modified transition disclosures instead of the restatement of comparative financial statements.

BC7.34L The Board noted that much of the information requested by investors was already required by IAS 8 and IFRS 7 on transition from IAS 39 to IFRS 9. The Board also noted that it was not modifying the requirements of IAS 8. The Board, however, decided that the reclassification disclosures in IFRS 7 (as amended by IFRS 9 (2009)) should be required on transition from IAS 39 to IFRS 9, irrespective of whether they would normally be required due to a change in business model. The Board also specified that the reclassification disclosures, and other disclosures required when initially applying IFRS 9, should allow reconciliations between the measurement categories in accordance with IAS 39 and IFRS 9 and individual line items in the financial statements or classes of financial instruments. This would provide useful information that would enable users to understand the transition from IAS 39 to IFRS 9.

BC7.34M The Board also considered whether the transition disclosures should be required if the entity presents restated comparative financial statements, or only if they are not provided. The Board noted that the disclosures provide useful information to investors on transition from IAS 39 to IFRS 9, irrespective of whether comparative financial statements are restated. The Board also believed that the burden of these comparative transition disclosures for preparers would not be unreasonable because it was based largely on existing disclosure requirements and should require disclosure of information available as a result of preparing for transition. Consequently, the Board decided to require these disclosures even if restated comparative financial statements are provided. However, the Board did not want to unduly burden those who were in the

MANDATORY EFFECTIVE DATE OF IFRS 9 AND TRANSITION DISCLOSURES  
(AMENDMENTS TO IFRS 9 (2009), IFRS 9 (2010) AND IFRS 7—DECEMBER 2011)

process of applying IFRS 9 early by requiring disclosures that the entity was not previously required to provide. Therefore, for entities that initially apply the classification and measurement requirements from 1 January 2012 until 31 December 2012, the Board decided to permit, but not require, the presentation of the additional disclosures. If an entity elects to provide these disclosures when initially applying IFRS 9 between 1 January 2012 and 31 December 2012, it would not be required to restate comparative periods.

After paragraph DO22 of IFRS 9 (2009) and IFRS 9 (2010), the heading and paragraphs DO23–DO28 are added.

**Dissent of Patricia McConnell from *Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 (2009), IFRS 9 (2010) and IFRS 7)***

- DO23 Ms McConnell concurs with the Board's decision to defer the mandatory effective date of IFRS 9 (2009) and IFRS 9 (2010), but not with its decision to set a mandatory effective date of 1 January 2015. She agrees with the Board that there are compelling reasons for all project phases to be implemented at the same time and, therefore, that the mandatory application of all phases of the project to replace IAS 39 should occur concurrently. However, Ms McConnell does not believe that a mandatory effective date for IFRS 9 (2009) and IFRS 9 (2010) should be established until there is more clarity on the requirements and completion dates of the remaining phases of the project to replace IAS 39, including possible improvements to existing IFRS 9.
- DO24 Ms McConnell commends the Board for requiring modified transition disclosures and acknowledges that the modified disclosures will provide useful information that will enable users of financial statements to better understand the transition from IAS 39 to IFRS 9, just as they would provide useful information when financial assets are reclassified in accordance with IFRS 9.
- DO25 Although Ms McConnell believes that the modified disclosures are useful, she does not believe that they are an adequate substitute for restated comparative financial statements. Ms McConnell believes that comparative statements are vitally important to users of financial statements. To the extent that the accounting policies applied in comparative financial statements are comparable period-to-period, comparative financial statements enable users to more fully understand the effect of the accounting change on a company's statements of comprehensive income, financial position and cash flows.
- DO26 Ms McConnell agrees with the Board that the date of initial application should be defined as a fixed date. In the absence of a fixed date, entities would have to go back to the initial recognition of each individual instrument for classification and measurement. This would be very burdensome, if not impossible. Moreover, particularly because reclassifications in accordance with IFRS 9 only occur (and are required) upon a change in business model for the related group of instruments, reclassifications should be very rare. Consequently, the expected benefit of not naming a fixed date of initial application would not exceed the costs.
- DO27 However, Ms McConnell disagrees with defining the date of initial application as the date that an entity first applies this IFRS. She believes that the date of initial application should be defined as the beginning of the earliest period presented in accordance with IFRS 9. This date of initial application would enable entities to compile information in accordance with IFRS 9 while still preparing their external financial reports in accordance with IAS 39. Ms McConnell does not consider that there is a significant risk that entities would use hindsight when applying IFRS 9 to comparative periods prior to those financial statements being reported publicly in accordance with IFRS 9. She also notes that, although it would be costly for entities to prepare financial reporting information in accordance with an extra set of requirements during the comparative period (or periods), this would address concerns on the part of preparers that it is overly burdensome for them to compile information in accordance with IFRS 9 before the date of initial application has passed.
- DO28 Ms McConnell acknowledges that defining the date of initial application as the beginning of the earliest date presented would delay the release of financial statements prepared in accordance with IFRS 9 for at least one year, or longer, if the date of initial application were set as she believes it should be. Delays would also result if the mandatory effective date of IFRS 9 was set so that entities could prepare more than one comparative period under IFRS 9 on the basis of requirements in many jurisdictions. Ms McConnell has also considered that it is costly for entities to prepare financial reporting information in accordance with an extra set of requirements during the comparative period (or periods). However, Ms McConnell believes that the benefits to users of financial statements of restated comparative financial statements justify the costs.