



BASEL COMMITTEE ON BANKING SUPERVISION

BANK FOR INTERNATIONAL SETTLEMENTS

Chairman

Via email: hhoogervorst@ifrs.org

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

30 November 2011

Request for views: Agenda Consultation 2011

Dear Mr Hoogervorst

The Basel Committee welcomes the opportunity to comment on the IASB's *Request for Views: Agenda Consultation 2011*. The Committee has a strong interest in high-quality financial reporting by banking organisations and believes the IASB's first formal agenda consultation is an important step to enhance the transparency of the accounting standard-setting process and the accountability of the organisation.

The Committee supports the IASB in its efforts to achieve the G20 recommendations of April 2009. In particular, it supports the efforts of both the IASB and the FASB to converge towards a single set of high quality standards that improve financial reporting.

We urge the IASB to complete its current projects before it launches other initiatives. In our view, completing the project related to financial instruments (impairment, hedge accounting and offsetting of financial assets and financial liabilities) should be the IASB's top priority. After the completion of this project and other current projects (including revenue from contracts with customers, leases and insurance contracts), the IASB should give sufficient time to allow financial institutions and other preparers to adapt to the new IFRSs, thus promoting proper and consistent application of the standards. Development of new standards should be an exception. The IASB should continue the development of the Conceptual Framework to provide a solid and stable principles-based accounting framework, allowing uniformity of application.

In addition, the IASB's focus should include application issues with existing standards. This includes amendments to IFRSs where the IFRS Interpretations Committee (IFRIC) has pointed out implementation issues that cannot be remedied by application guidance.

We recommend that the IASB establishes and publishes a final agenda for the period 2012-2014 that lists the current projects that it intends to finalise, taking into account available resources. The IASB should avoid spreading its resources

among too many projects without finalising the current projects within a reasonable period of time.

The Committee encourages the IASB to consult with the International Auditing and Assurance Standards Board (IAASB). Areas of mutual interest could include audit aspects related to financial reporting standards, including the auditability and enforceability of financial reporting requirements. This is particularly important in the area of disclosures. The consistent application of the IFRSs in the context of the post-implementation reviews could also be an area where the IASB could liaise with the IAASB.

Finally, the Committee believes that the IASB should work on developing a converged disclosure framework.

Our more detailed comments are presented below and cover the following areas:

- Standard setting;
- Conceptual Framework;
- Specific financial reporting issues requiring priority attention; and
- Disclosure Framework.

1. Standard setting

Standards to complete

The IASB's work plan highlights that the financial instruments project and its other current projects will continue over 2012, which will require resources in the first year of the three-year period covered by the *Agenda Consultation*. The Committee believes that the IASB's top priority must be to complete its current project related to financial instruments (impairment, hedge accounting and offsetting) and the revenue, leases and insurance contracts projects, with the goal of achieving high-quality standards.

Convergence

The IFRS Constitution sets out that the IASB will promote the convergence of national accounting standards and IFRSs, to facilitate adoption of the latter. This objective is fully supported by the Committee and is consistent with the G20's declarations. We encourage the IASB to continue working in that direction.

Implementation period

After the completion of the IASB's financial instruments project and its other current projects, preparers and users will need time to implement the large volume of new reporting requirements recently adopted or soon to be adopted. Development of any new standards that significantly impact financial institutions during this post-adoption period should be the exception. It should only be driven by an urgent and proven need to improve financial reporting.

Post-implementation reviews

Post-implementation reviews play an important role in assessing the way new standards are implemented. It is an efficient way to verify whether standards have met the expected objective and are effectively implemented as intended.

We believe that post-implementation reviews should not be limited to newly-adopted standards. The IASB should also review any other standards that are causing application problems, such as a lack of consistency in different jurisdictions, as identified by investors, auditors, regulators and other users. Therefore, the Committee believes the IASB should focus during the consultation period on the maintenance of existing IFRSs rather than on the development of new standards.

2. Conceptual Framework

Completing the Conceptual Framework project should remain a priority on the IASB's agenda as it defines fundamental concepts used in developing accounting standards. The Conceptual Framework is the foundation that supports internationally consistent and converged principles-based accounting standards. It sets out agreed concepts that underlie financial reporting and can provide guidance on reporting issues not covered by specific standards.

3. Specific financial reporting issues requiring priority attention

The Committee has identified specific financial reporting issues that should receive priority attention:

- Other Comprehensive Income (OCI): as OCI cuts across existing IFRSs, we believe the IASB should define the principles that prevail when gains or losses are recorded in OCI and whether recycling is allowed. This work should be completed before developing or amending other IFRSs that may require the use of OCI; and
- Financial instruments with characteristics of equity: this project, which has been deferred, is linked to IAS 39 (IFRS 9) and IFRS 7. It is essential to the Committee that the IASB ensures that the financial instruments project takes into account all aspects, including issues related to financial instruments with characteristics of equity.

4. Disclosure Framework

The Committee believes that the IASB should work on developing a converged disclosure framework. The IASB should first consider the expansion of disclosure requirements, particularly in the latest standards approved and, second, the ongoing work on disclosures carried out by the FASB and the Financial Stability Board. In addition, the disclosure framework should support the rationalisation of and improvements to the quality of the disclosure requirements in existing standards.

These comments have been prepared by the Committee's Accounting Task Force chaired by Sylvie Mathérat, Deputy Director General at the Bank of France. If you have any questions regarding our comments, please feel free to contact Sylvie Mathérat (+33 1 4292 26 02), Patricia Sucher at the UK Financial Services Authority (+44 20 7066 5644), or Xavier-Yves Zanota at the Basel Committee Secretariat (+41 61 280 8613).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Stefan Ingves', is centered on the page. The signature is fluid and cursive, with a large initial 'S' and 'I'.

Stefan Ingves