



KS/ASC-SUB/mb

EFRAG  
35 Square de Meeus  
B-1000 BRUSSELS

By email: [commentletter@efrag.org](mailto:commentletter@efrag.org)

6<sup>th</sup> November 2009

Dear Sir/Madam

#### **ENDORSEMENT OF IFRS 9 FINANCIAL INSTRUMENTS**

The Institute of Chartered Accountants of Scotland (ICAS) welcomes the opportunity to comment on the EC's questionnaire on the endorsement of IFRS 9 Financial Instruments.

The Institute is the first incorporated professional accountancy body in the world and has some 16,000 members worldwide. The Institute's Charter requires it to act primarily in the public interest, and our responses to consultations are therefore intended to place the general public interest first. Our Charter also requires us to represent our members' views and protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

The Accounting Standards Committee has considered the draft endorsement advice and we believe that EFRAG is correct to endorse IFRS 9 Financial Instruments. We have fully supported the IASB's agenda of simplifying the classification and measurement of financial instruments and removing the associated level of complexity and we believe that IFRS 9 taken together with IFRS 7 on disclosures provides a simpler and clearer regime.

Our responses to the questionnaire are set out below. If you wish to discuss any of them, please do not hesitate to contact me.

## Responses to the questionnaire

### Question 1:

(a) EFRAG's initial assessment of IFRS 9 is that it meets the technical criteria for endorsement. In other words, it is not contrary to the true and fair principle and it meets the criteria of understandability, relevance, reliability and comparability.

Do you agree with this assessment?

### Response

We agree with the initial assessment that IFRS 9 meets the technical criteria for endorsement. We believe that the standard has simplified the criteria for classification and measurement and has broadly moved towards a more principle-based approach.

(b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of the amendment? If there are, what are those issues and why do you believe they are relevant to the evaluation?

### Response

There are no issues additional to those contained within the evaluation we believe need to be taken into account.

### Question 2:

EFRAG is also assessing the costs that will arise for preparers and for users on implementation of IFRS 9 in the EU, both on initial adoption and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete that assessment.

The results of the initial assessment are set out in paragraphs 8, 11, 15 and 23 of Appendix 3. To summarise, EFRAG's initial assessment of IFRS 9 is that:

- (a) For preparers, there may be significant year one costs arising from initial adoption of the Standard and not significant costs from transition and additional disclosure requirements; and moderate ongoing incremental costs.
- (b) For users, application of IFRS 9 is likely to involve significant additional costs in year-one and, for some users, moderate ongoing incremental costs.

Do you agree with this assessment?

### Response

We agree with the assessment of the costs of application of IFRS 9.

**Question 3:**

EFRAG's initial assessment is that IFRS 9 will reduce complexity in the classification and measurement aspect of reporting financial instruments (see Appendix 3, paragraphs 17 and 19) and that the benefits to be derived from that are likely to exceed the costs involved (see Appendix 3, paragraph 24 and 25).

Do you agree with this assessment?

If you do not, please explain why you do not and what you think the implications should be for EFRAG's endorsement advice?

**Response**

We do agree that IFRS 9 will reduce complexity in the classification and measurement of financial instruments.

We have noted that in certain areas the standard does contain detailed rules, for example in the area of contractually linked instruments and we are concerned that this is not consistent with the intention to simplify the accounting treatment for financial instruments. However, overall we agree with EFRAG's assessment.

**Question 4:**

EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the amendment.

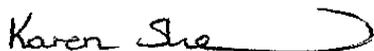
Do you agree that there are no other factors?

If you do not, please explain why you do not and what you think the implications should be for EFRAG's endorsement advice?

**Response**

We agree that there are no other factors which need to be taken into account in this evaluation.

Yours faithfully



KAREN SHAW  
Secretary to Accounting Standards Committee