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Françoise Flores  
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9th March 2012

Dear M Flores

**Response to Draft comment letter on IASB Exposure Draft ED/2011/7 – Transition Guidance – Proposed amendments to IFRS 10**

We are pleased to have an opportunity to respond to the EFRAG Draft comment letter on the Exposure Draft *ED/2011/7 Transition Guidance – Proposed amendments to IFRS 10* (ED). Our comments on the proposals are set out below.

*Clarification of 'initial date of application' (Question 1)*

*EFRAG's response*

<b>EFRAG supports the proposed amendments as they provide greater clarity and ensure consistent application of the transition requirements of IFRS 10.</b>
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We support the proposed amendments to clarify that the date of initial application is the beginning of the annual period in which IFRS 10 *Consolidated Financial Statements* is applied for the first time. This is consistent with our interpretation of the concept and how it has been previously applied in International Financial Reporting Standards (IFRSs). We also agree with the proposed clarifications to paragraphs C4 and C5 on how comparative information should be restated when the consolidation conclusion under IFRS 10 differs from that under IAS 27 *Consolidated and Separate Financial Statements* or SIC 12 *Consolidation – Special Purpose Entities*.

In the interest of consistency across all standards and to avoid possible confusion in the future, we recommend the IASB considers including a formal definition for the 'date of initial application' in the Glossary of Terms.

*Relief from restating comparative information when control was lost during the comparative period (Question 2)*

*EFRAG's response*

**EFRAG agrees with the amendment as it provides an appropriate trade off between the costs to preparers and benefits to users.**

We welcome the extension of the relief from restating comparative information when the consolidation conclusion is different under IFRS 10 and IAS 27/SIC 12 in one or more comparative periods but control has been lost prior to the initial date of application. Restating comparative information for the temporary consolidation of an investment prior to disposal does not provide useful or relevant information to the users of the financial statements that would justify the costs of obtaining the information.

*Other issues*

There are two associated issues that we want to highlight for consideration by EFRAG prior to finalising its response – the requirement to provide comparative information for the disclosure requirements in IFRS 12 *Disclosure of Interests in Other Entities*, and the implications of paragraph 28(f) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

As expressed in our letter to the IASB dated 24 January 2012 (a copy of which has been included) signed jointly by a number of banks, including Barclays, the presentation of comparative information for IFRS 12 *Disclosure of Interests in Other Entities* is a particular challenge and imposes an operational burden on preparers that is significant within the context and timelines of an already challenging implementation project for IFRS 10 – 12 (the 'new standards'). This is especially true with regards to the ability to obtain, analyse and verify certain information, in particular in relation to our involvement with unconsolidated structured entities for prior periods. We recognise that full retrospective application, including comparative information, is preferable from an investor perspective. However, in order to alleviate some of the operational burden on preparers and to ensure the feasibility of an effective date of 2013, we have recommended the IASB considers providing relief on the requirement for comparative information for IFRS 12 as a pragmatic compromise by encouraging, rather than requiring, entities to provide comparative information.

The key objective of IFRS 12 in relation to structured entities is to improve disclosures in relation to off-balance sheet risk arising from them. Therefore the most important information for investors is regarding exposures at the most recent balance sheet date, and their potential impact on future cash flows rather than historic information.

However, should the IASB consider that comparative disclosure information in accordance with IFRS 12 is indispensable, we recommend it considers a two-year limit on the number of comparative reporting periods that an entity is required to provide to alleviate at least some of the operational burden on US Foreign Private Issuers (FPIs) under the U.S Securities and Exchange Commission (SEC) requirements.

Furthermore, we would also like to highlight the implications of paragraph 28(f) of IAS 8 in the context of the new standards. That paragraph requires an entity to disclose (for the current period and each prior period presented) the amount of any adjustment on initial application of an IFRS for each financial statement line item.

The implications of this requirement are that in the year that the new standards are first applied, the adjustments will have to be disclosed for almost every line item in the financial statements (given that the new standards will affect almost every line item) for both the current year and multiple prior periods that may be required by, for example, SEC requirements for FPIs. In order to achieve this entities will have to 'parallel run' both the new standards and the current standards in order to be able to quantify the effects on the current period.

Given the pervasive impact of the new standards, this requirement imposes a significantly greater operational burden than is usually the case on application of a new standard – especially the current year requirements. We therefore suggest that the IASB considers whether the requirement for disclosure of any adjustments for the current year is justified in the context of the new standards.

*Conclusion*

We trust that the EFRAG will find our comments useful. If you would like to discuss our response in more detail, then please contact David Bradbery (david.bradbery@barclays.com) at 1 Churchill Place London E14 5HP.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J. Worth', with a horizontal line drawn underneath it.

John Worth  
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Barclays PLC

Hans Hoogervorst, Chairman  
International Accounting Standards Board  
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24<sup>th</sup> January 2012

Dear Hans,

**Consolidations, Joint Arrangements and Related Disclosures – Deferral of the effective date**

We are writing to you with regard to the forthcoming discussion at the International Accounting Standards Board (IASB or Board) about a possible deferral of the effective date of one or more of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements* and IAS 28 *Interest in Associates and Joint Ventures* (*the new standards*).

*Our summary view*

Each of our institutions believes, as we have stated in previous letters to the Board, that it is important that there is a timely financial reporting response to the 2007-8 financial crisis. We view the new standards as forming an important part of that response and therefore do not consider it appropriate that the Board defers the effective date of any of the new standards.

Similarly, we see no significant reason to justify a delay in endorsement by the European Union for any of the new standards. Such a delay creates uncertainty amongst both investors and preparers and incremental implementation cost for preparers. Furthermore, any delay in endorsement could result in European-domiciled Foreign Private Issuers (FPIs) in the United States having to prepare financial statements in accordance with IFRSs as endorsed by the European Union as well as financial statements in accordance with IFRSs as issued by the IASB. Apart from the substantial operational issues, we are concerned that this may create confusion in the market place and damage investor confidence in financial reporting at this critical time.

*Implementation of the new standards*

Each of our institutions has an implementation program for the new standards that are well underway. These programs are challenging both in terms of the judgements that we will be required to make and the data that we will need to source for preparation of restated comparative financial information in accordance with IFRS 10 and the newly required disclosures under IFRS 12. In particular, the requirement for restatement of comparative information is onerous given that each of our institutions is an FPI in the United States, as certain comparatives need to be restated for 4 years. It is also true that there are continuing discussions about how particular requirements of the new standards should be interpreted and applied. However, we consider these on-going discussions to be a normal part of the implementation of any principle-based standard. In summary, despite the undoubted implementation challenges each of our institutions face, and the effort and cost that involves, we remain confident that we will be able to successfully implement the new standards by January 2013.

### *Exposure drafts of amendments to IFRS 10*

It is not ideal that there are two exposure drafts for proposed amendments to IFRS 10 (*Amendments to the Transition Guidance in IFRS 10* and *Investment Entities*) that have not been finalised. However, we broadly agree with the assessment of the IASB staff in Agenda paper 4 for the January IASB meeting that the *Amendments to the Transition Guidance* merely clarifies the existing requirements and the *Investment Entities* exposure draft should not require significant additional implementation effort.

### *Possible transitional relief*

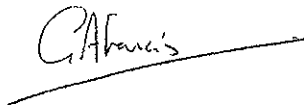
As noted above, the requirement to restate comparative information is a particular challenge and imposes a significant operational burden on preparers. This includes data collection issues for structured entities for which we previously have not retained, or had access to, the information that will be required. Our institutions are developing plans for sourcing and systematizing the information required for disclosure under IFRS 12. However, the ability to obtain, analyse and verify certain information, in particular in relation to involvement with unconsolidated structured entities for prior periods, poses a significant challenge.

Full retrospective application including comparative information is preferable from an investor perspective. However, in order to alleviate some of the operational burden on preparers and to ensure that an effective date of 2013 remains feasible, the Board may wish to consider whether some relief on the requirement for comparative data for IFRS 10 and IFRS 12 is a pragmatic compromise by encouraging rather than requiring entities to provide comparative information. In our view, it would be preferable to have an earlier effective date without comparative information, rather than a later effective date with comparative information. If comparative information is required, we suggest considering a limit on the number of comparative reporting periods that an entity is required to provide to a maximum of two comparative annual periods. This will alleviate some of the restatement burden for US FPI's

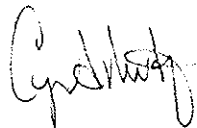
### *Summary*

We would be grateful if you could circulate our letter to the Board before the discussion on Thursday. As always, we are happy to answer any questions you may have or provide other help or input, as necessary.

Yours sincerely



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Francoise Flores, Chair, Technical Expert Group, EFRAG.