

*Banking supervision
And Accounting issues Unit
The Director*

Paris, 28th December 2015

FBF Comments on Request for Views 2015 Agenda Consultation

Dear Mr Hoogervorst,

The French Banking Federation is pleased to have the opportunity to comment on the request for views on the "Agenda Consultation 2015".

We welcome this second consultation on the IASB agenda and the opportunity provided to the stakeholders involved in IFRS to provide their comments on this agenda. We believe that regular agenda consultations are key to provide flexibility to take into consideration emerging accounting issues and to determine priorities of the IASB work plan. They ensure the necessary transparency of the work undertaken by the IASB as an element of public accountability of the IASB. Therefore, we recommend a three year interval between each agenda consultation.

First of all, we advocate that the IASB should put high priority on the completion of the IFRS 4 *Insurance Contracts* project. We would like to highlight that there is a need of an adequate solution concerning the timing interaction between IFRS 9 *Financial Instruments* and the future *Insurance Contracts* standard. It is essential that entities having insurance activities could be permitted to defer the application of IFRS 9 for such activities until the effective date of the new insurance contracts standard.

We believe that a period of pause is needed to permit entities to implement new standards and users to understand changes currently in course. During this period, priority should be given to research projects that would contribute to complete the revision of the Conceptual Framework in order to ensure that accounting standards are developed and revised consistently. Prior to the revision of the Conceptual Framework, the IASB should undertake further assessment of specific issues raised within the consultation process.

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Finally, implementation and maintenance projects, notably the Post implementation Reviews, are an important element of the overall standard setting process to ensure consistent application of the standards. They should lead to identify what work should be undertaken and what level of changes to the standards are relevant, i.e. either limited detailed amendments or standard level projects.

Our detailed responses to the Consultation Paper questions are provided in the Appendix to this letter. We hope you find these comments useful and we would be pleased to provide any further information you might require.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Bertrand Lussigny', with a stylized, cursive script.

Bertrand Lussigny

Appendix

Question 1

The IASB's work plan includes five main areas of technical projects:

- (a) its research programme;**
- (b) its Standards-level programme;**
- (c) the Conceptual Framework;**
- (d) the Disclosure Initiative; and**
- (e) maintenance and implementation projects.**

What factors should the IASB consider in deciding how much of its resources should be allocated to each area listed above?

We agree with the new approach outlined in the consultation paper that classifies the IASB's work plan into three main technical categories of projects. Alongside these three categories, the IASB identifies two individual projects, *Conceptual Framework* and *Disclosure Initiative* which are of different nature. Further clarification should be provided about the link between the two transversal projects (namely the Conceptual Framework and the Disclosure Initiative) and the three categories.

We agree with the factors listed in paragraph 55 of the *Request for Views* to identify priorities. The main factor to consider, when allocating resources to a project, is the level of the relevance of the project to the users of financial reports, but with the notion of users considered at large. Indeed, preparers considerations should be taken into account while drafting standards as they "can be expected to have knowledge of information that would be useful to depict the financial position and performance of entities", as highlighted by EFRAG in its comment to the conceptual framework.

We agree with the criteria that the IASB will consider when adding new research project. However, the IASB should have better clarified how priorities have been determined by explaining more comprehensively the objectives pursued for these projects.

Implementation and maintenance projects are an important element of the overall standard setting process, notably to increase comparability and to ensure that the standards provide relevant and faithful information. However, these projects should not lead to a systematic complete review of standards but should rather target limited amendments to solve identified issues. When such accounting issues have been identified, a cost-benefit balance of any proposed changes should be carefully assessed before modifying the standards. Relevant amendments should be then selected and proposed within either standard-level projects or narrow-scope amendment projects as appropriate.

Besides, time and resources that are needed to successfully implement important standards newly published or existing standards deeply amended should not be underestimated. A stable platform of accounting standards will permit entities to implement new standards and users to understand changes currently in course, notably as the two current major projects (i.e. IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts) are concerned given their scope, the work and efforts involved when implementing these new standards.

Research projects.

Question 2

The IASB's research programme is laid out in paragraph 32 and a further potential research topic on IFRS 5 is noted in paragraph 33. Should the IASB:

(a) add any further projects to its research programme? Which projects, and why? Please also explain which current research projects should be given a lower priority to create the capacity for the IASB to make progress on the project(s) that you suggested adding.

(b) remove from its research programme the projects on foreign currency translation (see paragraphs 39–41) and high inflation (see paragraphs 42–43)? Why or why not?

(c) remove any other projects from its research programme?

Question 3

For each project on the research programme, including any new projects suggested by you in response to Question 2, please indicate its relative importance (high/medium/low) and urgency (high/medium/low). Please also describe the factors that led you to assign those rankings, particularly for those items you ranked as high or low.

While the categorisation of the research projects in assessment stage and development stage may be helpful to identify the progress of each project, it is unclear how a project will move from one stage to another.

We therefore believe that research projects should be given priorities depending on the objectives pursued. The objectives could be defined as improvements highlighted by practice, a better representation of the economic substance of transactions, a converge view of preparers on how to better reflect the financial position and performance of entities.... Prioritisation would be more helpful as it would contribute to carry out research projects more quickly.

We suggest that following priorities should be given to the projects in the IASB research program:

- Priority should be given to research projects that would contribute to complete the *Conceptual Framework* as it plays an important role in the standard setting process in order to ensure that accounting standards are developed and revised consistently. However, prior to the revision of the *Conceptual Framework*, the IASB should undertake a proper assessment of the new definition of assets and liabilities and recognition criteria in order to understand the possible unintended consequences of the proposed definitions, before proposing such modifications.
- In the same way, before changing fundamentally the liability-equity classification principles under the *Financial Instruments with Characteristics of Equity* project, the IASB should rather focus on the problems identified and discussed at IFRIC (fixed for fixed condition on own equity derivative and hybrid instruments) and address the issues identified by limited amendments.

The *Primary Financial Statements* project should be given high priority. Focus should be put on the definition of financial performance and consequently the use of other comprehensive income as key elements of the financial reporting.

- The *Disclosure Initiative* is a high priority as it responds to repeated requests from both preparers and investors to reconsider the disclosures required in order to reduce the reporting burden and to increase the usefulness of the financial information. However, we find it difficult to follow the progress of the project due to the different work streams related to the Disclosure Initiative. We believe that clarification should be provided about the linkages between these various projects in order to ensure consistency between them.
- From the perspective of preparers, we do not see the *Dynamic Risk Management* project as a high priority project as the current standards enable to reflect the risk management strategies. However, should the project be seen as a major research project, we believe that the objectives of the project should be clearly defined, i.e. to enhance the usefulness of the financial information. We think that the appropriate approach should be an improvement of the disclosures related to the strategies and operations in terms of macro hedging of the different portfolios risks embedded in the balance sheet (interest rate risk, exchange risk, credit risk).
- We believe that the findings of the post implementation review of IFRS 3 has sufficiently provided clear rationale on the need for improvements of the subsequent measurement of goodwill. Thus, the *Goodwill and Impairment* project should be removed from the research programme and reallocated to the development-stage projects.

We recommend that no new research projects should be added to the list of research projects already identified in the consultation paper. Significant progress should be made on the existing projects before adding new research projects.

We agree with the IASB's proposals to remove the inactive projects from its work plan.

Major projects

Question 4

Do you have any comments on the IASB's current work plan for major projects?

We urge the IASB to finalise the IFRS 4 *Insurance Contracts* project and to resolve the problem related with the misalignment between the implementation dates of IFRS 9 and the revised IFRS 4. We would like to highlight that there is a need of an adequate solution that would be optional and temporary in order to permit entities having insurance activities to defer application of IFRS 9 for such activities until the effective date of the new insurance contracts standard.

Maintenance and implementation projects

Question 5

Are the IASB and the Interpretations Committee providing the right mix of implementation support to meet stakeholders' needs and is that support sufficient (see paragraphs 19–23 and 50–53)?

We support the various involvements in which the IASB is engaged to address the maintenance and implementation issues to improve financial standards in a timely manner.

We welcome the post implementation reviews of new applied standards as a mean to identify significant interpretation issues that could be resolved through interpretative guidance or amendments to standards. Post implementation reviews are important in the standard setting process. We believe that they should be conducted within a short period of time after the effective date of a standard, i.e. two years after the effective date in order to maximise their benefits.

We believe that focus should be put on the quality control conducted when finalising standards and completed notably with regard to the objectives of changes to the standards. Indeed, quality control is a mean to achieve consistent application of the standards.

Besides, when accounting application issues arise; it does not necessarily have to lead to adopting numerous small amendments that can be burdensome for both preparers and investors nor revising basic principles of standards. Instead, it should lead to identify what work should be undertaken and what level of changes to the standards is relevant, i.e. either limited detailed amendments or standard level projects.

The IFRS Interpretation Committee plays a key role when addressing possible accounting issues. We believe that interpretation issues need to be addressed in a timely manner. So, when questions submitted to the IFRS IC are debated for a long time without a solution, we believe that the IASB should take over the issues and include them in its agenda to provide solution.

Level of change

Question 6

Does the IASB's work plan as a whole deliver change at the right pace and at a level of detail that is appropriate to principle-based standard-setting? Why or why not?

As the four main projects identified in the 2011 Agenda Consultation (i.e. financial instruments, insurance contracts, revenue recognition and leases) are concerned, delays in the completion have occurred and several consultation papers have been published. We acknowledge that these projects deal with complex issues, and thus, they require time to be resolved.

However, we believe that more time should have been devoted to research programs or assessment of the practical feasibility of the proposals before issuing consultation papers. Comments made by stakeholders to the Discussion Papers or first Exposure Drafts should have been better taken into account, notably when strong opposition had been raised to proposals during the steps of the standard-setting process. The IASB should better indicate the reasons when it rejects recommendations received in response to the consultation papers.

Any other comment.

Question 7

Do you have any other comments on the IASB's work plan?

When considering the work's plan as a whole, we believe that the agenda consultation lacks of guiding principles or central themes that the work's plan could follow and that could serve as a basis to determine priorities and allocation of resources.

Frequency of Agenda Consultations

Question 8

Because of the time needed to complete individual major projects, the IASB proposes that a five year interval between Agenda Consultations is more appropriate than the three year interval currently required. Do you agree?

Why or why not? If not, what interval do you suggest? Why?

Regular consultation of the agenda is an important step in the process of determining priorities for the IASB's standard setting activities. It could provide a right balance between ongoing projects in different stages of their progress and major research projects.

Regular consultation provides flexibility in aligning the work plan and related IASB resources with possible changes in the economic and financial environment. Seeking views from stakeholders on a closer frequency would allow the IASB to accommodate priorities previously defined with emerging accounting issues raised by users and the IASB itself.

It also ensures the necessary transparency of the work undertaken by the IASB as an element of public accountability of the IASB.

For these reasons, we advocate that the public agenda consultation should be conducted on a three year frequency, as it is today. Hence, we disagree with the proposal of a five year interval between Agenda Consultations.