Macquarie Group Limited
ABN 94 122 169 279

No.1 Martin Place
Sydney NSW 2000
GPO Box 4294
Sydney NSW 1164
AUSTRALIA

Telephone (61 2) 8232 3333
Facsimile (61 2) 8232 7780
Internet http://www.macquarie.com.au

AASB 7-8 December 2011
Agenda paper 3.3

MACQUARIE

Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Canon Street, London, EC4M 6XH
United Kingdom

CC:
Mr. Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West
Melbourne, VIC, 8007

By Electronic Submission: commentletters@ifrs.org

26 October 2011

Dear Mr Hoogervorst,

Exposure Draft - *Mandatory Effective Date of IFRS 9*

We are responding to the IASB Exposure Draft *Mandatory Effective Date of IFRS 9.*

Our responses to the questions included within the exposure draft are provided in the attached Appendix.

We agree with the proposal to defer the effective date of IFRS 9. A deferral allows entities more of an opportunity to apply all phases of the project to replace IAS 39 (once completed), along with some other inter-related projects that affect financial institutions and their accounting for financial instruments, at the same time by giving more lead time for preparing for the adoption of IFRS 9.

Our comments on the specific revised timeframe proposed in the exposure draft are made with some caution. While we tend to agree with the deferral of the mandatory effective date to 1 January 2015, our view is conditional on the Board:

- issuing a final IFRS 9 that includes the remaining financial instrument phases (hedge accounting, impairment, offsetting), and issuing final standards for its leasing and insurance projects by the end of 2012; and
- clarifying its intentions for the rules in IFRS 9 on financial asset classification.

We think the Board needs to clearly communicate its intentions for further possible amendments to financial asset classification as a result of developments in US GAAP by the FASB. Of particular concern is the uncertainty created by the IASB's stated intention to consider constituent comments on these US GAAP developments, which implies the Board would consider revisiting its IFRS 9 rules before becoming mandatory.

We note that the IASB has not committed to a timetable for issuing final standards on the remaining financial instrument phases, leasing and insurance, nor has the Board communicated a clear intention to not revisit financial asset classification. We consider a final decision on a revised date for mandatory adoption of IFRS 9 should be made only after these other decisions have been made and are no longer subject to change.

As an additional recommendation, we suggest that the Board consider relieving the need for comparative information when IFRS9 is first applied (upon early adoption or when mandatorily adopted at a revised mandatory date) in order to accommodate any possible further delays it might encounter. Relieving comparative information has been previously provided when, for example, the Board issued IFRS 1 and it relieved the need for restating for the effects of certain aspects of IAS 39.

If you have any questions in relation to this submission, please do not hesitate to contact myself (+61 2 8232 8670) or Frank Palmer (+61 2 8232 5193)

Yours sincerely

Stuart Dyson
Group Financial Controller
Macquarie Group

About Macquarie Group

Macquarie Group (Macquarie) is a global provider of banking, financial, advisory, investment and funds management services.

Macquarie's main business focus is making returns by providing a diversified range of services to clients. Macquarie acts on behalf of institutional, corporate and retail clients and counterparties around the world.

Macquarie Group Limited is listed in Australia (ASX:MQG; ADR:MQBKY) and is regulated by APRA, the Australian banking regulator, as the owner of Macquarie Bank Limited, an authorised deposit taker. Macquarie also owns a bank in the UK, Macquarie Bank International Limited, which is regulated by the FSA. Macquarie's activities are also subject to scrutiny by other regulatory agencies around the world.

Macquarie's approach to risk management is long-standing. Strong risk management practices are embedded in business unit management with central oversight of credit, market, funding, compliance and operational risk. These, together with a strong, committed team are key drivers of Macquarie's success.

Founded in 1969, Macquarie employs more than 15,500 people in over 28 countries. At 31 March 2011, Macquarie had assets under management of $A310 billion.

APPENDIX

Question 1:
The Board proposes to amend IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015. Do you agree? Why or why not? If not, what alternative do you propose?

As mentioned in our covering letter, we agree with the proposal to defer the effective date of IFRS9. While we tend to agree with the deferral of the mandatory effective date to 1 January 2015, our view is conditional on the Board:

- issuing a final IFRS 9 that includes the remaining financial instrument phases (hedge accounting, impairment, offsetting), and issuing final standards for its leasing and insurance projects by the end of 2012; and
- clarifying its intentions for the rules in IFRS 9 on financial asset classification.

We suggest that the mandatory application date of IFRS 9 Financial Instruments should be finally determined only after the project to replace IAS *39 Financial Instruments: Recognition and Measurement* as a whole is completed, as well as the other inter-related projects of leasing and insurance are imminently close to finalisation. The outcomes of these inter-related projects are important for financial institutions when considering the policy choices they may need to make for the accounting of financial instruments. The final mandatory date should allow sufficient time for entities to be able to understand the new requirements, analyse their impact, decide their accounting policies, and prepare meaningful comparative information.

Question 2:
The Board proposes not to change the requirement in IFRS 9 for comparatives to be presented for entities that initially apply IFRS 9 for reporting periods beginning on or after 1 January 2012. Do you agree? Why or why not? If not, what alternative do you propose?

We understand the reasons for the proposal (comparative relief was initially provided to enable entities to apply IFRS 9 soon after it was originally issued). At this point, we have no certainty that the Board will finalise the remaining financial instrument phases (hedge accounting, impairment, offsetting) and the inter-related projects of leasing and insurance within any particular timeframe, nor make additional changes to financial asset classification due to US GAAP developments.

Further, extensive effort will be required to address changes from other standards (eg IFRS 10), and this effort will coincide with the timing of effort needed to prepare comparative information for IFRS 9 implementation (based on the proposed date in this exposure draft). The combined effect will require additional resources and place extra demands on existing resources to address all these changes. We recommend the Board use every opportunity to ease the education burden on users and preparation burden on preparers.

Consequently, we recommend the Board relieves the need for comparative information when IFRS 9 is first applied – upon early adoption or when mandatorily adopted – at a revised mandatory date.