



To:	AASB members	Date:	2 June 2010
From:	Christina Ng & Angus Thomson	Agenda Item:	5.1
Subject:	Financial Asset Impairment	File:	--

Action

Identify the main issues and the key comments you wish to make on the IASB's ED/2009/12 *Financial Instruments: Amortised Cost and Impairment* and the IASB's Request for Comment on the FASB's Exposure Draft *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities*, as it relates to financial asset impairment.

In agenda paper 5.2 we have identified the issues staff consider to be important and our suggested comments.

Background

The IASB issued ED/2009/12 in late 2009 and comments are due by 30 June 2010. The AASB issued ED 189 incorporating ED/2009/12 for comment by 17 May 2010. Four submissions have been received and are agenda paper 5.6 for this meeting.

The AASB also conducted Roundtable discussions on ED/2009/12 in Melbourne and Sydney on 22 and 25 March 2010.

AASB staff have been developing draft responses that could be used in AASB and Asian Oceanian Standard Setters Group (AOSSG) submissions to the IASB. These are based on the feedback gathered from respondents to ED 189, the AASB's Roundtable discussions, the AASB's Financial Instruments Project Advisory Panel and members of the AOSSG Financial Instruments Working Group.

Following this meeting, the plan is to finalise an AASB submission out-of-session with the assistance of a small subcommittee of AASB members.

AASB staff will also be working with the AOSSG Financial Instruments Working Group and other AOSSG members to finalise an AOSSG response to the IASB on ED/2009/12 during the remainder of June.

Context of submission

ED/2009/12 relates to stage 2 of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, and follows the release of IFRS 9 (and AASB 9) *Financial Instruments* in 2009 dealing with financial asset classification and aspects of financial asset measurement. Accordingly, the proposals in ED/2009/12 build on the existing requirements of IFRS 9 *Financial Instruments* that there be essentially two classifications of financial asset – those at fair value and those at amortised cost.

ED/2009/12 deals with the manner in which impairment should be dealt with for financial assets at amortised cost.

AASB staff note that the IASB has also issued a Request for Comment on the FASB's Exposure Draft *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* on which the FASB seeks comment by 30 September 2010. Unlike the IASB, which is developing its replacement for IAS 39 in stages, the FASB's ED addresses most of the issues currently dealt with in IAS 39.

In formulating thoughts on the submission on ED/2009/12 and the Request for Comment, AASB staff have focused on the proposals in ED/2009/12 and, where considered relevant, made reference to the FASB proposals as they relate to financial asset impairment.

Comment dates

Given the mismatch of the timing for comments on the IASB and FASB EDs, the AASB staff have sought the views of the Warren McGregor and the Chairman of the AOSSG on asking the IASB to extend its comment period for ED/2009/12 to 30 September 2010. This is on the basis that it is likely to be difficult for any constituent of the IASB to be able to provide an integrated response to the IASB and FASB proposals, even in respect of impairment alone, unless further time is allowed for analysis and comment. Furthermore, we believe that, given the IASB and FASB convergence strategy, the IASB would not be in a position to progress its proposals without considering the feedback on the FASB ED.

Attachments

Issues and key comments on ED/2009/12 [Agenda paper 5.2]

IASB ED/2009/12 *Financial Instruments: Amortised Cost and Impairment* [Agenda paper 5.3]

FASB ED *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* [Agenda paper 5.4]

European Banking Federation recommendations (alternative impairment model) [Agenda paper 5.5]

List of Australian submissions to ED189 [Agenda paper 5.6]