

30 November 2011

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Dear Madam, dear Sir,

Agenda consultation 2011

The European Banking Authority (EBA), which has come into being as of 1 January 2011 as per Regulation (EU) 1093/2010, welcomes the opportunity to comment on the IASB's *Agenda Consultation 2011*.

The EBA has a strong interest in promoting sound and high quality accounting and disclosure standards for financial instruments for the banking and financial industry, as well as transparent and comparable financial statements that would strengthen market discipline.

The EBA welcomes first public consultation undertaken by the IASB on its future agenda. As mentioned in the consultative document, this process should "further enhance its public accountability and legitimacy".

The EBA is of the view that finalisation of the standards related to financial instruments and insurance contracts should be on top of the priority list.

The completion of the conceptual framework would provide an important basis and foundation for any further accounting developments and should therefore receive increased attention and resources.

More generally, the EBA believes that the number of new projects on the agenda post-2011 should be rather limited. Indeed, the EBA is of the view that in addition to the need to devote resources to the priority issues, there is a very urgent need for a 'period of calm' to enable the IASB and its IFRS Interpretation Committee in particular to carry out post-implementation reviews with a view to providing clarification and additional guidance on standards that are causing application problems.

If you have any questions regarding our comments, please feel free to contact Mr. Colinet (+ 32.2.220.5247) in his capacity as Chairman of the technical group that coordinated this comment letter.

Yours sincerely,



Andrea Enria
Chair, European Banking Authority

Appendix - Answers to questions included in the Consultation document:

Question 1: What do you think should be the IASB's strategic priorities, and how should it balance them over the next three years?

Question 1(a): Do you agree with the two categories we identified and the five strategies areas within them? If you disagree, how do you think the IASB should develop its agenda, and why?

Question 1(b): How do you balance the two categories and five strategic areas? If you have identified other areas for the IASB's agenda, please indicate these in your answer.

While we do not have any major concerns on the strategic priorities as such (and the related five strategies areas within these two categories), the EBA is of the view that the IASB, should focus its resources and agenda mainly on the finalisation of the projects it is currently working on and which the EBA considers to be of key importance.

Accordingly, the first priority of the IASB should be the completion of the standards related to financial instruments and insurance contracts, while a second priority should be the leases and revenue recognition projects.

Once these four projects are completed the IASB should, time and resources permitting, resume work on the conceptual framework and other deferred projects. (See also our response to question 2.)

Irrespective of the need for a period of calm, the EBA holds the view that the IASB should not venture into new projects if there is no strong need for change. And in any case, the efforts should first and foremost focus on achieving simple and practicable solutions. An important aspect in that context is that adequate resources are allocated to pre-implementation impact assessments, in order to minimise any unexpected costs, and to post implementation reviews, with a view to identifying implementation and application issues related to recently issued standards as well as any other standards that are currently causing application problem, which are key to all stakeholders, not only supervisors.

Finally, the EBA does not think that the IASB should heavily invest in research. The IASB should rely as much as possible on opportunities to collaborate with national standard setters, other international bodies and the academic world, in order not to duplicate the efforts that are already made at various levels

Question 2: What do you see as the most pressing financial reporting needs for standard-setting action from the IASB?

Question 2(a): Considering the various constraints, to which projects should the IASB give priority and why? Where possible, please explain whether you think that a comprehensive project is needed or whether a narrow, targeted improvement would suffice?

Question 2(b): Adding new projects to the IASB's agenda will require the balancing of agenda priorities with resources available. Which if the projects previously added to the IASB's agenda but deferred (see table page 14) would you remove from the agenda in order to make room for new projects, and why? Which of the projects previously added to the IASB's agenda but deferred do you think should be reactivated, and why? Please link your answer to your answer to question 2(a).

As already indicated in our response to question 1, the EBA is of the view that the most pressing issues are the finalisation of the comprehensive projects on financial instruments and insurance contracts.

The Financial Instruments project including hedge accounting (both micro- and macro-hedge), impairment of financial assets measured at amortised cost and offsetting of financial assets and financial liabilities should be given the highest priority. The agenda consultation should in no way affect the absolute highest priority of the financial instruments project.

Concerning leases and revenue recognition it is important that the work on these projects does not affect resources and focus on financial instruments and insurance contracts. In addition the IASB proposals on those two projects will have to be widely supported by all relevant stakeholders.

As set out before, the completion of the conceptual framework would provide an important basis and foundation for any further accounting developments (possibly including a - comprehensive - framework on disclosures). As part of this work, the IASB should address fundamental questions before pursuing further standards developments, such as the role of the P&L and OCI or the place that the business model should have in accounting. In addition the place of the conceptual framework in the hierarchy of the texts should be reconsidered.

Once these projects are completed the IASB could resume work, subject to available time and resources, on deferred projects such as financial instruments with characteristics of equity, post-employment benefits, financial statement presentation including other comprehensive income, liabilities (amendments to IAS 37) and business combinations under common control.

Given i) the number of issues the IASB has to deal with urgently, ii) the need for a 'period of calm' to enable the IASB (and its IFRS Interpretation Committee) in particular to clarify and provide additional guidance on standards that are currently causing application problems, the EBA believes that the number of other specific projects added to the agenda post-2011 should be limited.

Other projects that could be added later in the proceedings, time and resources permitting, include comprehensive work on discount rates and measurement of deferred tax assets. Furthermore, narrow scope projects could be foreseen for Interim reporting and Share-based payment.

Finally we would like to mention that we support the IASB in improving the consistency and quality of the application of IFRSs, notably through ensuring the completeness of XBRL and consistency with IFRS.