KPMG
cutting through complexity

Amendments to IFRS 9

Mandatory effective date of IFRS 9 deferred to 1 January 2015

December 2011, Issue 2011/39

IN THE HEADLINES

kpmg.com/ifrs

> “Deferral means extra time for companies to prepare for adoption. Many financial institutions will welcome exemption from the requirement to restate comparative data. However, the new financial instruments model is still work in progress.”

– Andrew Vials, KPMG’s global IFRS financial instruments leader

Mandatory effective date of IFRS 9 deferred to 1 January 2015

The IASB has deferred the mandatory effective date of the existing chapters of IFRS 9 *Financial Instruments* (2009) and IFRS 9 (2010) to annual periods beginning on or after 1 January 2015. The deadline was previously 1 January 2013. Early adoption of either standard continues to be permitted.

IAS 39 replacement package not yet finalised

The deferral of the effective date has been driven by delays in completing the hedging and impairment phases of the IAS 39 replacement project. The Board’s aim is currently for entities to be able to adopt the whole package at a single date.

However, the IASB has also decided to consider making limited improvements to the existing chapters of IFRS 9. This includes consideration of the interaction with the insurance contracts project.

Any further delays to completion of the IAS 39 replacement project, as well as the ultimate nature of its content, could lead to further reconsideration as to whether a single mandatory effective date is appropriate.

The IASB has also issued additional application guidance and disclosure requirements with respect to offsetting financial assets and liabilities, that are part of the IAS 39 replacement project.

However, in contrast to IFRS 9 (2009) and IFRS 9 (2010), the IASB has decided that the new offsetting application guidance will be effective for annual periods beginning on or after 1 January 2014. The new disclosure requirements on offsetting will be effective from 1 January 2013. Both will take retrospective effect.

No requirement to restate comparatives

If you adopt IFRS 9 (2009) or IFRS 9 (2010) on or after 1 January 2013, you will no longer be required to restate comparative information for periods prior to the date of initial application.

This will significantly reduce the transition burden for many preparers, particularly those that are required to publish more than one year of comparative data.

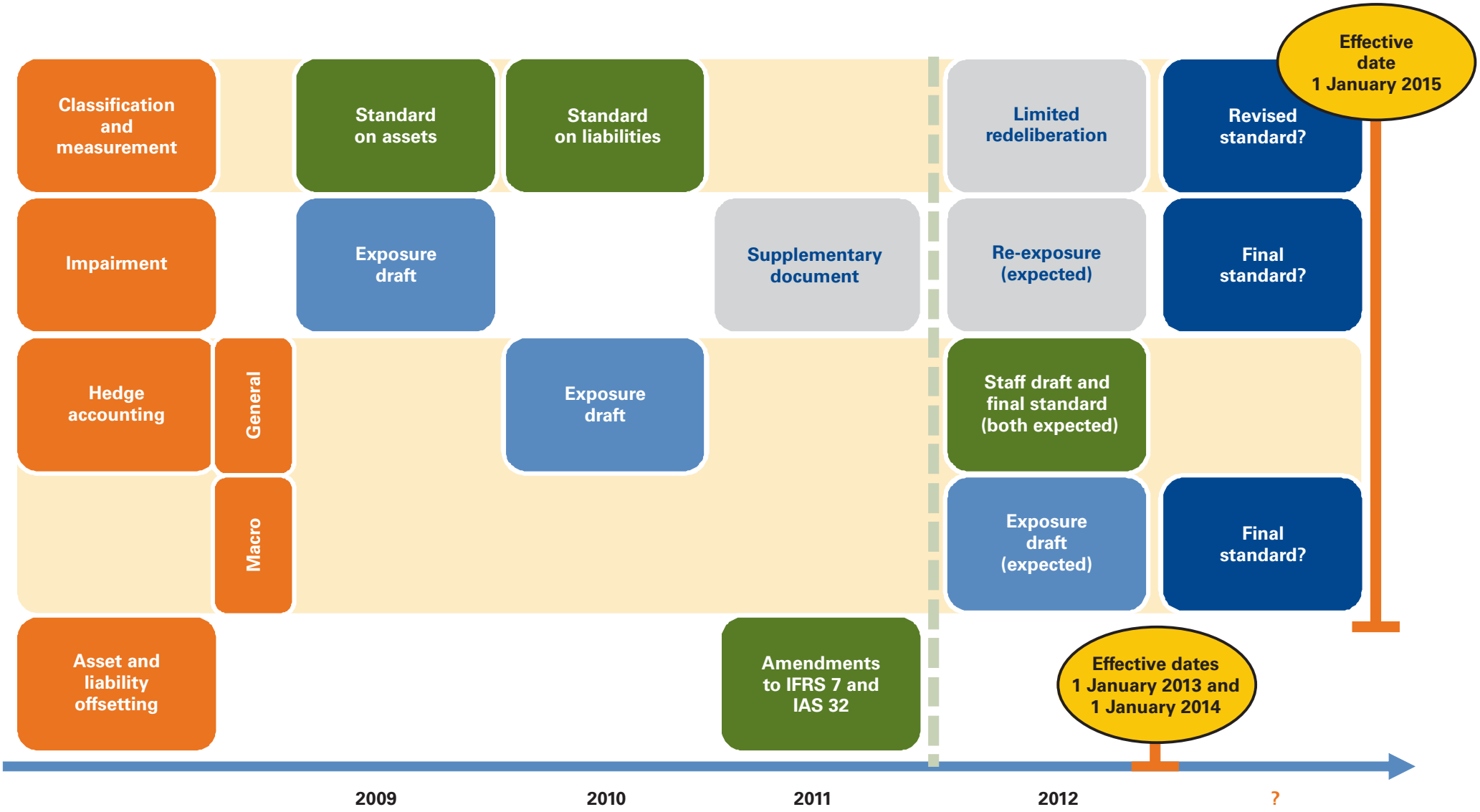
Additional disclosures on the initial impact of transition

If you adopt IFRS 9 from 2013 onwards, you will be required to disclose more detail about the effect of adoption on the classification and measurement of financial assets and liabilities at the date of initial application. This will include a reconciliation of closing IAS 39 balances to opening IFRS 9 balances analysed by measurement category as well as by class of instrument and balance sheet line item. It will show the effect of reclassifications and remeasurements, and the impacts on retained earnings. For assets and liabilities reclassified to amortised cost measurement, separate information will also be required on:

- the fair values at the end of the reporting period;
- the fair value gains and losses that would have been recognised during the period;
- the new effective interest rate; and
- the interest income or expense actually recognised.

If you early adopt during 2012, you can choose either to restate comparatives or to provide the enhanced transition disclosures, but you do not have to do both. If you early adopt prior to 2012, you are required neither to restate comparatives nor to provide the enhanced disclosures.

IAS 39 replacement project milestones



Source: IASB work plan – projected targets as at 16 December 2011

Find out more

For more information on the Amendments please go the IASB press release, or speak to your usual KPMG contact.

Publication name: *In the Headlines – Amendments to IFRS 9*

Publication number: Issue 2011/39

Publication date: December 2011

KPMG International Standards Group is part of KPMG IFRG Limited.