



**International  
Accounting Standards  
Committee Foundation®**

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18 November 2009

The Honourable Charles McCreevy  
Member of the European Commission  
European Commission  
Rue de la Loi 200  
1049 Brussels  
Belgium

Dear Mr McCreevy

On behalf of the IASC Foundation Trustees, I am writing regarding the European Commission's decision to postpone endorsement of the recently published IFRS 9 *Financial Instruments*.

You would not expect the Trustees to be anything but surprised and disappointed at the deferral. However, we appreciate the European Commission's continuing commitment to International Financial Reporting Standards (IFRSs). We acknowledge the supportive statement that your office made regarding IFRSs following the announcement and that the decision regarding timing does not prejudice the ultimate endorsement of IFRS 9. We also understand the difficulties in achieving the necessary consensus for accelerated endorsement.

The Trustees' surprise and disappointment stems from the whole background to, and handling of, the process of reform of IAS 39. The Trustees have been following the progress of this first phase of the IAS 39 reform closely. As you will remember, at the urging of the European Commission and other European stakeholders, David Tweedie and I made a commitment to EU Finance Ministers at the ECOFIN Council meeting in June to have a standard issued in time for EU endorsement by year end. We repeated this timing pledge to the Group of 20. At the June ECOFIN meeting and on other occasions, the European Commission emphasised the need to have the standard published by late-October or early-November to permit fast-track EU endorsement to enable EU companies to use the new standard for 2009 year-end purposes. In our oversight capacity, we Trustees have closely monitored the IASB's progress against this pledge.

As important as everyone considered the achievement of the year end deadline to be, the Trustees understood the new standard needed to address all of the significant issues raised regarding accounting for financial instruments. That is why we supported and encouraged the IASB's unprecedented efforts to take into account the views of all stakeholders in Europe and elsewhere. The IASB held meetings with prudential supervisors, through the establishment of an enhanced technical dialogue, and with more than 100 private sector stakeholder groups. This consultation resulted in significant changes to the original proposals, including expanding the use of the cost-based category and emphasising the company's business model as a primary criterion for classification. In doing so, the IASB



paid particular attention to the issues raised in the European Commission's comment letter. I am attaching a summary of how the IASB responded to the comments received through the consultation process, as well as to the specific issues raised by the European Commission.

The standard has been generally recognised as a major improvement on its predecessor and has received the support of a broad range of European stakeholders (as well as those in the rest of the world), as demonstrated by the comment letters to the European Financial Reporting Advisory Group and statements by business associations and others in the press. The result of deferred endorsement of the standard is that EU companies will suffer a competitive disadvantage against their international counterparts, which will be able to take advantage of the new improved standard. Many European companies and others have already expressed their regret at the deferral.

Notwithstanding all of the above, we understand that the very tight timescale for year end approval gave little opportunity for member states (or indeed Commission officials) to digest fully the new standard. We are sure that the IASB will be prepared to explain how they resolved the issues raised to any who have lingering concerns.

Based upon the unprecedented amount of consultation, change to the originally proposed standard that has resulted, and the level of support internationally, the Trustees are satisfied that the IASB has conducted a thorough, balanced, and fair process. The IASB has responded in an appropriate and timely manner to the issues raised by the G20, the European Commission, and other international stakeholders. It is for this reason, even if we understand the context of the EU's political constraints related to the accelerated endorsement procedure, we find the deferral decision particularly disappointing.

In the spirit of moving matters forward as soon as possible, the Trustees and the IASB stand ready to assist the European Commission in ensuring that a timely endorsement of IFRS 9 occurs. Endorsement of IFRS 9 will not only benefit European companies and investors, but will also be a significant improvement for financial reporting worldwide.

Yours sincerely

Gerrit Zalm  
Chairman

Attachment