November 30, 2011

To the International Accounting Standards Board;

The Japanese Bankers Association

Comments on *"The Agenda Consultation 2011—Request for views"*

The Japanese Bankers Association is an organization that represents the banking industry in Japan; its members comprise banks and bank holding companies operating in Japan. The Association submits the following comments on *"The Agenda Consultation 2011−Request for views"*.

We hope that the comments below will assist the Board in its further deliberation.

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 strategic areas within them? If you disagree, how do you think the IASB should develop its agenda, and why?

(Response)

We agree.

In particular, we would like to see the following points taken into account in the "Developing Financial Reporting" category.

1. Measures to mitigate IFRS introduction costs

At the current point in time, the United States and Japan are studying the introduction of IFRS to their countries, but both appear to have strong resistance to the costs involved.

The introduction of IFRS by the United States, which has the world's largest GDP, and Japan, which has the third largest GDP, would truly demonstrate that IFRS is the only globally recognized accounting standards, and because of this we believe that active steps should be taken to reduce the costs that have become impediments in both countries. Below are the specific ways in which we think IFRS introduction costs should be mitigated.

(1) Expansion in scope of items for which retrospective application is waived at the time of initial application

IFRS 1 lists the items for which retrospective application is waived at the time of initial application. The current version of IFRS 1 was published in November 2008, and there has been no further study or review of the scope of retrospective application waivers since that time. Similarly, there is no such project proposed in this agenda consultation paper.

Retrospective application at the time of initial IFRS application imposes substantial costs. We urge the development or revision of IFRS 1 with a view to expanding the scope of items for which retrospective application is waived.

(2) Reduction of disclosure items

Efforts to satisfy the interests of financial statement users and to respond to changes in the economic environment in the wake of financial crisis and other events have resulted in a wider variety of IFRS disclosure items. The burdens and costs associated with preparing financial statements have substantially increased, not just for first-time IFRS adopters but also for existing IFRS adopters.

We believe there should be a new project to review and define the disclosure items that are truly required by financial statement users and other interested parties.

2. Incorporation of opinions from countries outside of Europe and North America

Many countries have adopted or plan to adopt IFRS as the only quality accounting standard in the world.

However, at its heart the standard assumes European and North American cultures and business practices, and does not sufficiently incorporate the cultures and practices of Asia and other regions.

We urge the development of standards that are fully cognizant of the unique circumstances of individual countries and avoid a bias towards Europe and North America; we believe this is necessary if IFRS is to emerge as the only globally recognized accounting standard.

3. Encouragement of understanding among all interested parties in the standard development process

The purpose of accounting standards is to accurately reflect the management and status of enterprises. We therefore urge that there be an outreach to interested parties and that standards be developed in a careful, cautious manner so that newly developed standards do not negatively impact corporate activities.

4. Development of XBRL

XBRL ensures greater comparability of financial statements by providing taxonomy of standard titles with uniform codes.

However, IFRS which is principle based articulates conceptual rules on titles of accounts and only identifies an extremely limited number of standard titles themselves. As a result, enterprises must create their own unique titles, which leads to an increase in accounts outside the scope of standard titles, and therefore no improvement in comparability. Thus, enterprises incur excessive burdens in creating their own taxonomy of accounts, but there is still no improvement in comparability that would benefit investors.

Given the costs and benefits at stake, we urge that the positioning of XBRL be rethought, and that outreach programs and similar efforts be used to demonstrate the significance of XBRL to interested parties.

Question 1(b)

How would you balance the two categories and five strategic areas? If you have identified other areas for the IASB's agenda, please include these in your answer.

(Response)

We do not think the question should be whether to give priority to either "Developing Financial Reporting" or "Maintaining Existing IFRSs." Rather, they are closely interlinked, similar to a "PDCA cycle," and we urge that they be moved forward in parallel.

In addition, the United States and Japan are considering the introduction of IFRS, but both regulators and enterprises are concerned about the cost burdens that will be imposed. We urge the board to place priority in "Developing Financial Reporting" on measures that will mitigate introduction costs (expansion in the scope of items for which retrospective application is waived at the time of initial application and reduction in the number of disclosure items) so as to better respond to the needs of the United States and Japan in applying IFRS.

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?

(Response)

We would like to see priority given to the following projects.

1. Financial Instruments Accounting Project

In the wake of the financial crisis, the G20 requested a review of financial instruments accounting standards, and while progress has been made, at the current point in time standardization has been completed only for the financial instrument classification and measurement phase, but not for the impairment and hedge accounting phases.

All financial instruments accounting phases are closely interrelated, and it is preferable for all to be applied simultaneously, a view that we believe the IASB shares.

In light of the G20 request for a review of standards related to financial instruments accounting, we believe that priority should be given to the Financial Instruments Accounting Project.

In the Financial Instruments Accounting Project, we would urge consideration of the following three points in particular.

(1) Review of the Financial Instrument Classification and Measurement Project

Standardization has been completed for the classification and measurement of financial instruments, but the requirements for classification as "amortized cost" are overly restrictive, which has led to complaints that the economic realities at enterprises are not reflected. The US FASB is planning to publish new US standards on the classification of financial instruments, and at that juncture we believe that there should be another careful study of the classification and measurement of financial instruments so as to more appropriately reflect the economic realities at enterprises.

(2) Timing of application of comprehensive standards for financial instruments accounting

Our understanding is that comprehensive standards for financial instruments accounting, including classification and measurement, will be applied after standardization has been completed for the impairment and hedge accounting phases. Standards for financial instruments accounting will have significant impact on financial institutions, and they will require a sufficient preparatory period so that systems can be modified and other measures can be put in place. We therefore urge that full consideration be given to the timing of application.

(3) Financial guarantees and loan commitments

Financial guarantees and loan commitments were originally included in the insurance contracts project, but a recent overhaul of the scope of the project resulted in them being separated out for study on their own.

Financial guarantees and loan commitments at financial institutions should be treated the same as loans in order to maintain consistency with risk management, and we would encourage them to be studied as a part of the Financial Instruments Accounting Project.

2. Other projects in progress

Most of the other projects in progress are either joint projects with the US FASB or MoU projects, and therefore watched closely not only by Japan and other countries considering the introduction of IFRS but by countries where IFRS is already in place.

The promotion and stabilization of IFRS will at a minimum require that new projects be initiated, but also that priority be given to the completion of projects in progress.

Question 2(b) Adding new projects to the IASB’s agenda will require the balancing of agenda priorities with the resources available. Which of 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).

(Response)

We would like the following points taken into account in the establishment of new projects.

1. Projects that should be revived

(1) Other Comprehensive Income Project

"Other comprehensive income" can be defined as changes in shareholders equity other than net profit/loss and transactions with shareholders, but in IFRSs published over the last several years there has been an extremely large increase in the number of items posted to other comprehensive income. While there are stipulations that items not be recycled to net profit/loss after posting to other comprehensive income, progress has not necessarily been made on definitions and categorizations.

Given that financial statement users will use comprehensive income to assess enterprise performance, we urge that the concept of other comprehensive income be re-studied.

2. Projects that should be eliminated

(1) Financial Statement Presentation Project

One of the major items to be studied by the Financial Statement Presentation Project was the presentation of cash flow statements calculated using the direct method, but we believe that this approach, while imposing excessive burdens on financial statement preparers, is of little utility to investors and other financial statement users.

Given the large number of projects that require earnest discussion and debate, we believe that this project should be eliminated.