

December 30, 2015

To the International Accounting Standards Board

Japanese Bankers Association

**Comments on the International Accounting Standards Board's Request for Views
"2015 Agenda Consultation"**

We, the Japanese Bankers Association ("JBA"), are an organization that represents the banking industry in Japan; and our members comprise banks and bank holding companies operating in Japan.

We would like to express our gratitude for this opportunity to comment on the International Accounting Standards Board's Request for Views on "2015 Agenda Consultation".

We respectfully expect that the following comments will contribute to your further discussion on this issue.

Our response to questions:

Q1 – The balance of the IASB's project

The IASB's work plan includes five main areas of technical projects:

- (a) its research programme;
- (b) its Standards-level programme;
- (c) the *Conceptual Framework*;
- (d) the Disclosure Initiative; and
- (e) maintenance and implementation projects.

What factors should the IASB consider in deciding how much of its resources should be allocated to each area listed above?

(Response)

The IASB has developed and applied many standards in the past several years. At the same time, the number of countries adopting IFRS, including those adopting voluntarily, has been increasing. Given such circumstances, problems in applying IFRS might be increasing across countries. Therefore, in addition to (a) and (b) listed above, we consider that there is a need to allocate more IASB's resources to the area (e) maintenance and implementation projects.

Q2 – Research projects (Addition to and Deletion from Research projects)

The IASB’s research programme is laid out in paragraph 32 and a further potential research topic on IFRS 5 is noted in paragraph 33.

Should the IASB:

- (a) add any further projects to its research programme? Which projects, and why? Please also explain which current research projects should be given a lower priority to create the capacity for the IASB to make progress on the projects(s) that you suggested adding.
- (b) remove from its research programme the projects on foreign currency translation (see paragraphs 39-41) and high inflation (see paragraphs 42-43)? Why or why not?
- (c) remove any other projects from its research programme?

Q3- Research projects (Relative importance and urgency)

For each project on the research programme, including any new projects suggested by you in response to Question 2, please indicate its relative importance (high/medium/low) and urgency (high/medium/low).

Please also describe the factors that led you to assign those rankings, particularly for those items you ranked as high or low.

(Response)

It is our concern that there are currently too many research projects in the research programme. Given limited resources, the IASB should set priorities for individual projects and make a decision to remove projects for developing standards with a low priority.

In establishing priorities, discussions could be focused on: for example, (a) those areas with two possible approaches to accounting treatment which have a completely different impact on profits and losses (e.g. amortisation/non-amortisation of goodwill) and (b) those areas with accounting treatment that will not be able to achieve clear financial representation of the company’s economic activities.

Further, we would like to comment below on specific projects from the viewpoint of the banking industry.

Firstly, with regard to the “Disclosure Initiative-Principles of Disclosure”, we agree with its development but are concerned that the project is not discussing this topic from the perspective of reducing excessive disclosures. The IASB is requested to ensure that truly useful information will be provided to users of financial statements by taking into account regulatory disclosure requirements imposed on preparers, such as financial institutions, and information available from other sources. It is also requested that the Disclosure Initiative project will discuss the reduction

of disclosure items as part of the initiative to mitigate IFRS implementation costs.

Secondly, with regard to the “Financial Instruments with Characteristics of Equity”, we have much interest in this project because while the complexity of financial instruments increases, it is presumed that judgment on the classification of financial instruments will have a broad impact on banks’ capital policy. The IASB is requested to regard this topic as important and prioritise this project.

Lastly, with regard to the “Dynamic Risk Management”, this project should be given a high priority because it has a significant impact on, and is highly needed for, the risk management and hedging policy of the banking business. Although various views were provided to the Discussion Paper on this topic, a conclusion could not be formed and thus, to our understanding, the IASB is preparing for the second consultation and planning to focus on disclosure. However, the appropriateness to develop accounting standards in such a direction is questionable. The IASB is requested to prioritise discussions on this topic and simultaneously give due regard to the direction of development.

Q4- Major projects
Do you have any comments on the IASB’s current work plan for major projects?

(Response)

As commented in our response to Q3, it is requested that the IASB will give a high priority to, and make progress on, the “Dynamic Risk Management” project.

Q5- Maintenance and implementation projects
Are the IASB and Interpretations Committee providing the right mix of implementation support to meet stakeholders’ needs and is that support sufficient (see paragraphs 19-23 and 50-53)?

(Response)

We consider that implementation support is provided to a certain extent but is not sufficient.

(Basis)

A framework is in place to support maintenance and implementation through Post-implementation reviews and discussions by transition resource groups (“TRG”). Still, there are some aspects which have not been addressed sufficiently, such as unique circumstances of

individual countries. To live up to the assertion that IFRS is the only globally recognised accounting standards, and to avoid being regarded as a standard of Europe, the IASB should address and consider this topic by sufficiently incorporating views of countries in Asia and Oceania.

Further, we also request that a Post-implementation review will be performed on newly-issued standards from the perspective of mitigating IFRS implementation costs for those companies not adopting IFRS. For example, as an exemption from a retrospective application, if first-time adopters will be allowed to apply the carrying amount as of the transition date to the measurement of financial instruments measured at amortised cost, it would significantly reduce compliance burdens of those companies not adopting IFRS, and facilitate transition to IFRS.

Q6– Level of change
Does the IASB’s work plan as a whole deliver change at the right pace and at a level of detail that is appropriate to principle-based standard-setting? Why or why not?

(Response)

We consider that the current pace of change is not appropriate.

(Basis)

As the effective date of financial instruments, leases and revenue recognition standards is set to arrive one after another, changes required to be made by reporting entities to their internal processes (e.g. system development) are increasing. Therefore, it would be necessary to provide sufficient lead time to such preparers for the preparation of IFRS implementation by, for example, adjusting the timing of application of those standards having a significant impact.

Q7– Any other comments
Do you have any other comments on the IASB’s work plan?

(Response)

The IASB is requested to work on the development of standards by taking into account the convergence of IFRS with US GAAP and/or Japanese GAAP. At present, it is almost certain that the standards for financial instruments will differ completely between the US standard and IFRS, giving rise to increased burden on preparers because they will need to start from a gap analysis between standards. Since the goal of IFRS is to become a single set of accounting standards of

the world, efforts for harmonisation with US GAAP, which is a large capital market, should take precedence in any cases. Further, the IASB should also give emphasis to consultation with the standard-setting body of other countries (e.g. Accounting Standards Board of Japan (“ASBJ”)) and proceed discussions with a view to realising a single set of accounting standards as much as possible.

Moreover, in order to enhance the quality of IFRS, the IASB is requested to give consideration to other relevant regulations, including international regulations for financial institutions, and have more opportunities to have a dialogue with related authorities.

Q8– Frequency of Agenda Consultations
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Because of the time needed to complete individual major projects, the IASB proposes that a five year interval between Agenda Consultations is more appropriate than the three year interval currently required. Do you agree? Why or why not?

If not, what interval do you suggest? Why?
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(Response)

We do not support the proposal on the interval between Agenda Consultations from the current three years to five years.

(Basis)

Unlike the projects in the 2011 Agenda Consultation which addressed standard-setting developments on a broad scale, many projects addressed in the current or future would relate to the implementation phase. Given this, the frequency of Agenda Consultations should be maintained at a three-year cycle in order to improve the standards in a timely manner and with agility. Further, regardless of the implementation of Agenda Consultations, the IASB should work on the maintenance and implementation projects sufficiently because some of accounting standards under IFRS have not achieved the reflection of accurate economic conditions of companies across the world.