



ISRAEL SECURITIES AUTHORITY

Corporate Finance Department

22 Kanfei Nesharim Street, Jerusalem 95464

Tel: 02-6556444 Fax:02-6513160

www.isa.gov.il

October 9, 2011

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH
United Kingdom

Dear Sir / Madam

Re: **Mandatory Effective Date of IFRS 9 - ED/2011/3**

The Israel Securities Authority thanks you for the opportunity to provide our comments regarding the International Accounting Standards Board Exposure Draft: *Mandatory Effective Date of IFRS 9* (hereinafter – the Exposure Draft).

Question No. 1:

We agree that the required adoption date of IFRS 9 should be postponed.

We believe that companies should be able to adopt - in their entirety and as a whole - all future provisions which are intended to replace IAS 39. In light of the updated schedule for completion of the remaining phases of the IAS 39 replacement project, we believe that companies should be allowed to assimilate the provisions of the new standards knowledgeably.

We are certain that postponing the mandatory effective dates of IFRS 9, in their entirety, shall enable the International Accounting Standards Board (hereinafter – the IASB) to complete the remaining stages towards replacing IAS 39, using due process and performing in-depth effect analyses, thus leading to better quality standards.

Question No. 2:

We agree that the exemption contained in the transition provision for IFRS 9 regarding retrospective application of the Standard is sufficient and should not be expanded.

We believe that the postponement of the effective date of IFRS 9 shall have no implications on the general principal prescribed in IAS 8, according to which the default for applying the provisions of new standards is to do so retrospectively.

General comments:

1. We are aware that the IASB¹ has lately dealt with the issue of providing an adequate definition for the term *beginning of the first reporting period* in respect to the *date of initial application*, as prescribed in Paragraph 7.2.2 of IFRS 9 (2010). In particular, one of the questions raised in this respect was whether the *beginning of the reporting period* constitutes the beginning of an annual period or whether this term may possibly be interpreted as the beginning of an interim period (whichever relevant).

We agree with the Board's decision to exclude reference to this issue in the Exposure Draft, especially since this issue requires extensive assessment.

Since the Exposure Draft did not contain reference to the issue of its first adoption at the beginning of an interim period and since, as a result, the IASB did not call for public comments on this issue, we believe that if the IASB should decide to promote a proposal to revise the transition provisions regarding the abovementioned issue, this proposal should be made using the accepted due process, allowing the public to comment on the proposal.

It should be noted that we are lately confronted with various application issues regarding the adequate interpretation of some of the transition provisions contained in the Standard, and shall thus be happy, if such a proposal to revise the said transition provisions is issued, to share with the IASB our insights regarding this matter, outlining the various aspects and significances of the question of adopting the IFRS as at the beginning of interim periods.

2. It should also be noted that the fact that the voluntary early adoption period for IFRS 9 may be significantly extended (if the Exposure Draft is accepted) raises material questions regarding the early adoption procedure in various jurisdictions which have adopted the IFRS.

While in some jurisdictions, the endorsement procedure of the IFRS is usually completed during the "voluntary early adoption" period, and thus – according to the regulation in these jurisdictions – the de facto early adoption of the standard is

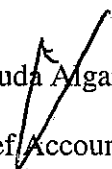
¹ As regards this issue, please see meeting dated July 28 2011 and the discussion paper uploaded towards the meeting <http://www.ifrs.org/NR/rdonlyres/BC08AC9D-2C9B-4F5B-B19B-251677C7198F/0/FI071127thb08obs.pdf>.

forestalled, in other jurisdictions where no such endorsement process is used - the standard may be adopted early without having developed sufficient experience regarding the adequate interpretation of some of the transition provisions prescribed by the Standard (such as the question outlined above), and in some cases these jurisdictions may be required to regulate an endorsement procedure as well.

In order to eliminate the need to regulate the endorsement procedure for IFRSs (which may lead to the forestallment of the early adoption of the Standard, and thus to diversion from some of the provisions of the Standard), we believe that the IASB should consider adding a provision to the Standard which would allow local regulators to set possible early adoption dates without diverting from the provisions of the Standard. Such a provision shall enable local regulators to allow early adoption of the Standard only after they are convinced that the companies regulated by them have fully assimilated the provisions of the new standards in all aspects – while fully complying with all of the provisions prescribed by the Standard.

We appreciate your thoughtful consideration of the comments raised in this letter.

Kind regards,


Yehuda Algarisi

Chief Accountant