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Sir David Tweedie
Chair
International Accounting Standards Board
30 Cannon Street
London
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United Kingdom

Ms. Leslie Seidman
Chair
Financial Accounting Standards Board
401 Merritt 7 (P.O. Box 5116)
Norwalk, CT
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USA

Re: Comment Letter on Effective Dates and Transition Methods

Dear Sir David and Ms. Seidman,

CFA Institute[1], in consultation with its Corporate Disclosure Policy Council ("CDPC")[2], appreciates the opportunity to comment on the International Accounting Standards Board's ("IASB") Request for Views ("IASB Request for Views"), *Effective Dates and Transition Methods*, and Financial Accounting Standards Board's ("FASB") Discussion Paper, *Effective Dates and Transition Methods* ("FASB Discussion Paper") or collectively referred to as the Request for Views. The IASB and FASB are collectively referred to as the Boards.

CFA Institute is comprised of more than 100,000 investment professional members, including portfolio managers, investment analysts, and advisors, worldwide. CFA Institute seeks to promote fair and transparent global capital markets, and to advocate for investor protections. An integral part of our efforts toward meeting those goals is ensuring that the quality of corporate financial reporting and disclosures provided to investors and other end users is of high quality.

[1] With offices in Charlottesville, New York, Hong Kong, and London, CFA Institute is a global, not-for-profit professional association of more than 106,000 investment analysts, portfolio managers, investment advisors, and other investment professionals in 133 countries, of whom nearly 94,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 136 member societies in 57 countries and territories.

[2] The objective of the CDPC is to foster the integrity of financial markets through its efforts to address issues affecting the quality of financial reporting and disclosure worldwide. The CDPC is comprised of investment professionals with extensive expertise and experience in the global capital markets, some of whom are also CFA Institute member volunteers. In this capacity, the CDPC provides the practitioners' perspective in the promotion of high-quality financial reporting and disclosures that meet the needs of investors.

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Overall Considerations

Thoughtful Consideration of Transition Required

Given the unprecedented number of standards to be issued in the upcoming months – and implemented in the next several years – we recognize the importance of the Boards' reaching out to the affected constituencies and seeking their input on how to facilitate an orderly and thoughtful transition approach to the new standards. Thoughtful consideration by the Boards regarding how to manage this change is welcomed.

Investors Perspectives Are Important As Consumers of Revised Financial Information

We appreciate the opportunity to comment on the Request for Views, as we believe investor input is critical to the Boards' decision-making process regarding how and when to implement the revised standards because investors are the consumers of this revised financial information.

Accounting change leads to discontinuity within financial reports and makes analysis of a company's financial results and the financial results of its peers more challenging. Investors seek to disentangle the effects of accounting changes from the operating results. Investors will have to adjust their financial models to incorporate the new financial reporting standards and then assess the impact of these standards on their valuations. Informative and timely disclosures can assist investors, whose expertise may vary, to understand the effect of the new standards on current period and future period financial statements.

Quality

CFA Institute stresses that, while convergence of IFRS and U.S. GAAP is an important goal, the main emphasis of the Boards should be on developing high-quality standards. The Request for Views presumes that the numerous standards under the 2006 Memorandum of Understanding will be completed by June 30, 2011, or shortly thereafter. We believe that investors and other stakeholders are best served by high-quality standards and that when the standards are considered to be of sufficient quality they should be issued with a reasonable period to plan and effectuate transition. Standards should not be rushed to completion simultaneously in order to meet an artificial deadline.

Transition Methods

Investors Prefer Fully Retrospective Transition Approach

Given that investors analyze an entity's performance using trends, and rely heavily on financial reporting comparability to make investing decisions, we are strongly in favor of a fully retrospective transition approach for all newly issued financial reporting standards.

A fully retrospective approach provides investors with the most seamless transition method (i.e. decreased discontinuity) and preserves comparability between periods. This approach also allows investors to see the impact of the new standards on periods previously reported under prior standards. In contrast, the prospective method provides the least useful information to investors because there is no recasting of the prior periods for the effects of the new financial reporting standard. As a result, trends and intercompany comparisons are distorted by the accounting changes. Variations on the retrospective approach are also not useful as they create confusion upon adoption, and they are heavily dependent upon the adoption date assumptions.

For example, the simplified retrospective approach proposed for the leasing standard would make future lessee interest expense and right-of-use asset amortization heavily dependent on interest rate assumptions at the date of adoption – which could be substantially different from current interest rates or the assumptions at the inception of the lease.

We do, however, recognize that in certain circumstances the fully retrospective approach may be difficult to apply, for example in the case of revenue recognition (where historical estimated selling prices may be difficult to obtain). As such, we are not opposed to a reasonable delay (i.e. possibly two years) in effective dates which would allow companies to prepare comparable information.

Choice in Transition Methods Should Not Be Allowed

We strongly oppose allowing companies to choose their transition approach. Such optionality diminishes comparability as some firms use the old standard and others the new one. This affects not only the transition period but future periods if transition assumptions are dependent upon current economic conditions.

IASB and FASB Transition Methods Should be Identical

The FASB and IASB should require the same transition methods for their comparable standards. Allowing different transition methods would reduce comparability between similar entities reporting under two different sets of standards.

Effective Dates and Early Adoption

Sequential Adoption Dates vs. Single Adoption Date: Investors Divided

The investor community is divided as to whether a single date or a sequential approach is most desirable. There are advantages and disadvantages to each approach. A single date approach would lead to only one period of discontinuity in the financial statements. However, we believe it would be difficult for investors to isolate the effects of the change attributable to each new financial reporting standard and thereby fail to understand the true impact and consequence of the changes. The difficulty with isolating the changes may be further accentuated by the fact that many of the new standards are interdependent, such as revenue recognition and leases. The benefit of a sequential adoption date approach is that there would be a clearer understanding of the impact of adopting individual standards; however, this sequential approach would also result in many periods of discontinuity, as each standard is adopted.

Early Adoption: Not Investor Preference

CFA Institute is opposed to allowing entities to early adopt new financial reporting standards. Allowing entities this option introduces further complexity for investors who rely on comparability in their analysis. Early adoption creates one or more transition periods in which there is a lack of comparability, as some firms adopt the new standard while others remain on the existing standard. Early adoption can also create a longer-term lack of comparability if assumptions at adoption are dependent on current market conditions as in a prospective or simplified retrospective adoption approach. Firms adopting at different dates will carryforward the effects of market conditions existing at those dates for many years.

Issued But Not Implemented Disclosures:
Investors Need More Meaningful Information Particularly if Effective Dates Are Delayed
In order to overcome the discontinuity challenges faced by investors, we urge the Boards to require pro-forma quantitative disclosures along with descriptive qualitative disclosures in the notes for the period leading up to the actual effective date. This will allow users to gradually develop an understanding regarding how the new standards will impact the entity's financial statements and allow them to modify their analysis and their investment decision-making. Generally, entities usually state either that their analysis is incomplete or that the effects of adoption are not material, without providing any meaningful explanation of the impact of the new standards. Such disclosure is not helpful to investors; accordingly, we strongly suggest that the Boards include transition requirements for clear quantitative and qualitative disclosures regarding the effects of the changes in the periods leading up to the actual effective dates. This is particularly important if there is a deferral of effective dates to accommodate fully retrospective adoption.

IASB and FASB Effective Dates Should be Identical
We also believe that the FASB and the IASB should require the same effective dates for their comparable standards. Different effective dates would create challenging comparability issues between entities reporting under the two sets of standards.

Transition Methods & Effective Dates for Private Entities
We believe that the decisions reached by the Boards should be consistent between public and private entities.

Considerations for First-Time Adopters of IFRS
We understand that for those countries planning to adopt IFRS in the next two years that it would be an added burden to adopt IFRS and then almost immediately thereafter be required to implement another change for new standards. Under this scenario, we would not object to entities early adopting the new standard in order to minimize their implementation effects assuming the adoption method is fully retrospective in nature.

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If you, other board members or your staff have questions or seek further elaboration of our views, please contact either Matthew Waldron by phone at +1.212.705.1733, or by e-mail at matthew.waldron@cfainstitute.org, or Sandra Peters, CFA, by phone at +1.212.754.8350, or by e-mail at sandra.peters@cfainstitute.org.

Sincerely,

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Kurt N. Schacht, JD, CFA
Managing Director
Standards and Financial Markets Integrity

/s/ Gerald I. White
Gerald I. White, CFA
Chair
Corporate Disclosure Policy Council

cc: Corporate Disclosure Policy Council