

April 14, 2009

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International Accounting Standards Board
30 Cannon Street, 1st Floor
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LETTER OF COMMENT NO. 165

Dear Board Members:

Re: Preliminary Views on Financial Statement Presentation

The Canadian Bankers Association (CBA) would like to thank the International Accounting Standards Board (IASB or the Board) for the opportunity to comment on the Discussion Paper entitled "Preliminary views on financial statement presentation" (DP).

Together with the International Banking Federation, the CBA supports the aim to improve the presentation of information in the financial statements. We agree with the Board's overall objectives and there are merits, conceptually, to the proposed financial statement presentation, but we would like to express concerns that the proposed model is inappropriate for the banking sector because the proposed presentation does not reflect the business of banking and how performance in the banking industry is evaluated by management, shareholders, analysts and other users.

The CBA believes that further disaggregation of the balance sheet and income statement by categories does not enhance communication with the users of bank financial statements. One of the key measures used to assess banks is net spread, the difference between interest earned on assets and the cost to fund those assets. Banks fund their assets using a variety of methods, including deposits and other funding mechanisms. It does not make sense to split net spread between categories, ie: operating, investing and financing. Banks would report the majority of their activities within the operating category as it would not be meaningful to disaggregate. The proposals in the DP would therefore not meet its objectives, ie: they would not result in improvements to comparability between banks or between banks and companies in other industries.

These prescriptive formats for primary financial statement requirements are predicated on the premise that "one size fits all". While the proposal presented, if implemented, may improve comparability in some cases it will do so at the cost of diminished transparency as to how the business is managed. This is an important factor in assessing an entity's performance and financial position.

One of the objectives of the DP is to improve disclosures to allow users to predict an entity's future cash flows. One of the ways in which the DP proposes to achieve this objective is to require entities to use the direct method of presenting cash flows in the statement of cash flows. Due to the volume of cash transactions processed on a daily basis by financial institutions, a cash flow statement prepared on the direct basis, disaggregating all the cash received and paid by activities by categories, would not provide meaningful information. We believe that the IFRS 7 disclosures are a preferable approach to providing information on liquidity risk in the Banking industry.

In addition, the costs involved in producing our financial statements in the manner proposed under this DP would be significant due to the systems and process changes required and the training required for both the users and preparers of the financial statements. The implementation of the proposed changes in financial statement presentation will also cause undue burden on Canadian and other international public enterprises which are currently in the process of adopting International Financial Reporting Standards in 2011.

Consistent with the view of the IBFed, we believe that banks should be exempted from the proposals in the DP. The specific characteristics of the banking industry reduce the benefits of the proposal. Alternatively, the Board can also consider incorporating flexibility in the proposed financial statement presentation which will allow different industries to communicate and present the results of their businesses in the most effective way. The CBA agrees that improvements can be made to the existing financial statements, and we are happy to work with the IASB to develop a model which would allow faithful presentation of bank's performance. An example would be to develop a model which communicates to the users of the financial statements the capital and risk management ability of a bank in an easier and more efficient manner. This model should take into consideration any burden that would be unduly placed on preparers without providing sufficient benefits to the users and be a suitable approach that helps the Board to meet its objectives and fits the banking industry's characteristics. We request the Board to engage in discussion with the industry and seek further comments from preparers as well as users of bank financial statements.

The CBA would like to request that any proposed model be implemented after Canadian and other international companies have adopted IFRS. We would be pleased to discuss our position and concerns with you at your convenience. Please do not hesitate to contact me should you wish to discuss these issues further.

Sincerely,

Deborah L. Crossman