

April 1, 2011

To the International Accounting Standards Board

Shinkin Central Bank

Re : Comments on Supplement to ED/2009/12
“Financial Instruments: Amortised Cost and Impairment”

Dear Sirs/Madams,

We appreciate the efforts of the International Accounting Standards Board (IASB) on the financial instruments project and welcome the opportunity to comment on the Supplement to ED/2009/12 “Financial Instruments: Amortised Cost and Impairment”.

We wish that attached our comments would be considered in the following deliberation of these subjects.

Sincerely yours,

Comments

Question 1

Do you believe the approach for recognition of impairment described in this supplementary document deals with this weakness (ie delayed recognition of expected credit losses)? If not, how do you believe the proposed model should be revised and why?

We think that the weaknesses of the incurred loss model is improved enough in the proposal approach. Because, in that model based on the company's internal risk management, credit losses are recognized earlier than the incurred loss model in response to the uncertainty of recovery.

However, there are problems as indicated in the answers to questions 3 and 4 and 9.

Question 3

Do you agree that for financial assets in the 'good book' it is appropriate to recognise the impairment allowance using the approach described above?
Why or why not?

The following points, we do not agree.

(1) Time-proportional expected credit losses

The proposed approach is not reasonable. Because allowance amounts will be different depending on the portfolio's age even if expected credit losses is the same amount. We think it is unnecessary to consider the portfolio's age at recognition of expected credit losses. Expected credit losses should be allocated equally against interest income in future accounting periods.

(2) Credit losses expected to occur within the foreseeable future period

Refer to the answer to Question 9.

Question 4

Would the proposed approach to determining the impairment allowance on a time-proportional basis be operational? Why or why not?

According to the proposed approach, banks must store the data relating to the passage of years all financial assets held by. This method is operational in a number of smaller banks are not.

There are also operational difficulties in estimating expected credit losses as a premise of the

proposed approach. It is necessary to clarify that smaller banks can to use a simplified method. For example, applying a 'loss rate' technique to asset balances might also facilitate implementation of an impairment model for smaller banks.

Question 9

(a) Do you agree with the proposal to require a floor for the impairment allowance related to the 'good book'? Why or why not?

We do not agree with the proposal to require a floor for the impairment allowance related to all 'good book' portfolios unconditionally. Because it requires the calculation of the double, the burden is heavier in practice.

In addition, we think there is a problem with the "foreseeable period ". Because it depends on the company. It may result in different impairment allowance for similar credit across different entities.

Question 9

(b) Alternatively, do you believe that an entity should be required to invoke a floor for the impairment allowance related to the 'good book' only in circumstances in which there is evidence of an early loss pattern?

We agree with this proposal to require a floor for the impairment allowance related to the 'good book' only in circumstances in which there is evidence of an early loss pattern. Default experience of the portfolio, the need for floor can be determined.