

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG/EFRAG Board. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

## **IFRS 4 amendments (Extension of the Temporary Exemption from Applying IFRS 9)**

### **Cover note and analysis of the comment letters received**

#### **Objective**

- 1 The objectives of the session are to:
  - (a) consider the comments received in response to EFRAG's Invitation to Comment on its draft endorsement advice on the *Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)* ('the Amendments'); and
  - (b) for EFRAG TEG to discuss and agree to recommend to the EFRAG Board a final endorsement advice and for the EFRAG Board to approve the final endorsement advice.

#### **Agenda Papers**

- 2 In addition to this cover note, agenda papers for this session are:
  - (a) Agenda paper 01-02 – Final endorsement advice – marked-up;
  - (b) Agenda paper 01-03 – Final endorsement advice – clean; and
  - (c) Agenda paper 01-04 – Comment letters received.

#### **Summary of comments received on the Draft Endorsement Advice**

- 3 EFRAG published its initial assessment on the draft endorsement advice ('DEA') on 25 June 2020. At the time of writing, eight responses were received. The responses can be found on EFRAG's website [here](#).
- 4 Seven respondents agreed with EFRAG's initial assessment in the DEA.
  - (a) One of these respondents proposed wording changes on the sentence in the DEA that relate to financial conglomerates in order to specify that the Amendments allow voluntary changes to entities' initial election.
- 5 One respondent did not express a view. They indicated, without disagreeing with the IASB's decision to defer IFRS 9, that deferral may enable entities to implement IFRS 9 better or may limit the possibility of confusion by users, but these advantages seem less significant when IFRS 9 has been applied by other entities since 2018. On the other hand, concerns around comparability with entities that already apply IFRS 9 and the consequences of a delay on prudence, have gained in significance.

## EFRAG Secretariat proposed responses/recommendation

### Proposal 1

6 Regarding the comment made in paragraph 5 above, the EFRAG Secretariat provides two options:

- (a) Option 1 – no changes to the DEA, as the comment does not affect the conclusions; or
- (b) Option 2 – In Appendix 3 in the section “Whether the Amendments are likely to improve the quality of financial reporting” add the following:

*EFRAG acknowledges that some of the advantages of a further deferral of IFRS 9 (e.g. enabling entities to implement IFRS 9 better or limiting the possibility of confusion by users) may be perceived as less significant when compared to the assessment done in 2016/2017, as IFRS 9 has been applied by other entities since 2018. At the same time, concerns around comparability with entities that already apply IFRS 9 and the consequences of a delay on prudence have gained in significance since the assessment done in 2016/2017. However, we assess that the benefits of getting the effective dates of IFRS 9 and IFRS 17 aligned continue to overcome the costs.*

7 The EFRAG Secretariat prefers Option 1 because there is no change to the conclusions in the DEA and as such has not amended the final endorsement advice.

#### Question for EFRAG members

8 Do EFRAG members agree with the EFRAG Secretariat, i.e. Option 1? Please explain.

### Proposal 2

9 Regarding the comment made in paragraph 4(a) above, the EFRAG Secretariat proposes to change the wording with wording suggested by the respondent. This would apply to Appendix 3 and the cover letter.

*In addition, **until 2023**, the category of insurers that are part of a financial conglomerate is now divided into groups: those that apply IFRS 9 in full; those that apply IFRS 9 with overlay (and will continue to do so **unless they decide to adopt IFRS 9 in full**) and those that have deferred its application (and will continue to do so **unless they decide to adopt IFRS 9 either in full or with overlay**).*

#### Question for EFRAG members

10 Do EFRAG members agree with the wording proposal? Please explain.

## **Appendix 1 – List of respondents**

<b>Respondent</b>	<b>Country</b>	<b>Type of respondent</b>
GDV	Germany	Preparer organisation
FRC	UK	National Standard-setter
Paul Windels	Belgium	Insurance sector representative
ESBG	Europe	Preparer organisation
Accountancy Europe	Europe	Auditor
The European Federation of Financial Analysts Societies (EFFAS)	Europe	User association
Insurance Europe	Europe	Preparer organisation
Accounting Standards Committee of Germany (ASCG)	Germany	National Standard-setter