


# POSITION PAPER



## **EFRAG's DEA on extension of the temporary exemption from applying IFRS 9 (amendments to IFRS 4)**

ESBG (European Savings and Retail Banking Group)

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ESBG welcomes the opportunity to comment on EFRAG's assessment on "Amendments to IFRS 4 Insurance Contracts" (the Amendments) as issued on 25 June 2020. The objective of the Amendments is to extend the expiry date of the temporary exemption from applying IFRS 9 by two years (i.e. from 2021 to 2023) in order to align the effective dates of IFRS 9 Financial Instruments with IFRS 17 Insurance Contracts.

ESBG agrees with EFRAG that the Amendments meet the qualitative characteristics of relevance, reliability, comparability and understandability required to support economic decisions and the assessment of stewardship, lead to sufficiently prudent accounting, and that they are not contrary to the true and fair view principle. We also share EFRAG's views that the Amendments are conducive to the European public good.

We would like to note that within ESBG there are financial conglomerates that are currently deferring the application of IFRS 9 as permitted by Commission Regulation EU 2017/1988 to its insurance activities. ESBG would like to ensure that the provisions in the Amendments are extended at European level to apply to financial conglomerates that according to the referred Regulation elected to apply in the consolidated financial statements IAS 39 to its entities operating in the insurance sector.

In addition, ESBG would like to point out a paragraph included in EFRAG's draft endorsement advice that could be misleading. The particular paragraph is the following:

"In addition, 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 would continue to do so) and those that have deferred its application (and would continue to do so)"

The current wording in this paragraph suggests that financial conglomerates that apply IFRS 9 with overlay or that have deferred its application will continue to do so, when in practice, the Amendments allow voluntary changes to their initial election. We believe that the relevant point here is that predominant insurers and financial conglomerates have the same options and remain in the same level playing field. Otherwise, we agree that there could be a competition issue.

Accordingly, if EFRAG wants to divide the group of financial conglomerates, we would suggest the following segregation for the insurance companies that are part of these conglomerates:

- Entities currently applying IFRS 9 in full: includes those that did not elect to apply any of the options provided (temporary exemption or overlay approach), as well as entities that did apply them but elect to apply IFRS 9 in full at a later stage;
- Entities applying IFRS 9 with overlay or applying the temporary exemption (and would continue to do so until the effective date of IFRS 17), under the assumption that if they decide to stop their application, they would be included in the category IFRS 9 in full.



## About ESBG (European Savings and Retail Banking Group)

ESBG represents the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 900 banks, which together employ more than 650,000 people driven to innovate at roughly 50,000 outlets. ESBG members have total assets of €5.3 trillion, provide €1 trillion in corporate loans (including to SMEs), and serve 150 million Europeans seeking retail banking services. ESBG members are committed to further unleash the promise of sustainable, responsible 21st century banking. Our transparency ID is 8765978796-80.



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