

This paper provides the technical advice from EFRAG TEG to the EFRAG Board, following EFRAG TEG's public discussion. The paper does not represent the official views of EFRAG or any individual member of the EFRAG Board. This paper is made available to enable the public to follow the EFRAG's due process. Tentative decisions are reported in 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.

Post Implementation Review IFRS 9 – EFRAG DCL Cover Note

Objective

- 1 The objective of this session is for the EFRAG Board to discuss and approve EFRAG's draft comment letter (DCL) as response to the Request for Information (RFI) on IFRS 9 *Classification and Measurement*.

Background

EFRAG Due Process

- 2 The effective date of IFRS 9 was set as annual reporting periods beginning on or after 1 January 2018. Insurers and EU financial conglomerates have the possibility to defer the application date of IFRS 9 till 1 January 2023 (subject to fulfilling particular conditions).
- 3 In October 2020, the IASB decided to begin the PIR of the IFRS 9 classification and measurement requirements only, and not of impairment and hedge accounting requirements.
- 4 During [January](#) – [March](#) 2021, the EFRAG Secretariat consulted EFRAG TEG and EFRAG working groups (Academic Panel, EFRAG FIWG, EFRAG IAWG, EFRAG User Panel, EFRAG CFSS) and had an exchange with the IFRS 9 Task Force of Accountancy Europe. This consultation has allowed to prepare a first comprehensive list of issues that have been reported to the IASB Staff, including at the ASAF meeting in [March](#) 2021.
- 5 On 9 [June](#) 2021, the EFRAG Board decided that the future EFRAG response to the RFI on IFRS 9 *Financial Instruments* should include views about the technical merits of some of the key issues reported. The remaining issues are to be reported to the IASB without an accompanying assessment.
- 6 The EFRAG Board further decided that the technical assessment should be focused on providing indications as to whether standard setting is considered necessary to solve the issue, without providing indications of the possible standard setting solution itself.
- 7 When assessing the technical merits, to the extent possible, the EFRAG response to the RFI should also provide indications of the type of standard-setting activity needed (e.g., amendments to the standard, educational material).
- 8 It was noted that for some issues EFRAG has already developed views and it would be sufficient to repeat the existing positions. This relates to:
 - (a) Recycling the changes in FV accumulated in OCI for equity instruments; and
 - (b) FVTPL treatment for equity-type instruments (e.g., units of funds).
- 9 The list of issues – has been assessed by EFRAG TEG in [June](#), [July](#) and [September](#) 2021, with inputs from EFRAG FIWG and EFRAG IAWG.

- 10 The final list of issues was agreed by the EFRAG Board on 6 [October](#) 2021.
- 11 The [Request for Information on IFRS 9](#) was published on 30 of September 2021 with comments to be delivered by **28 January 2022**.
- 12 The topics raised in the RFI on IFRS 9 which concurred with the ones selected by the EFRAG Board are:
 - (a) Sustainable finance – SPPI test;
 - (b) Recycling changes in FV accumulated in OCI for equity instruments;
 - (c) Investments in equity-like instruments;
 - (d) Contractually linked instruments – non-recourse; and
 - (e) Modifications to contractual cash flows.
- 13 The following topics were not selected by the IASB as part of the RFI on IFRS 9. However, they are to be reported, as part of the topics selected by the EFRAG Board:
 - (a) Supply-chain financing – reverse factoring;
 - (b) Financial guarantees; and
 - (c) Factoring of trade receivables.
- 14 The remaining topics not selected by the EFRAG Board and included in the RFI in IFRS 9 are:
 - (a) Business model for managing financial assets;
 - (b) Financial liabilities and own credit;
 - (c) Amortised cost and the effective interest method (accounting for TLTRO III); and
 - (d) Transition.

Main comments from EFRAG TEG

- 15 While the RFI treats the SPPI-requirement and the business model requirement separately, EFRAG TEG members noted that both are to be considered and are thus interconnected.
- 16 All references to financial instruments with ESG features are to be put on one single place (Question 3).
- 17 The issues reported as part of the question relating to the business model¹ are to be described as being reported to EFRAG. EFRAG is not asking for standard setting on these issues.
- 18 On modifications and financial guarantees, EFRAG TEG members suggested to refer to the views of some that despite the divergence in practice at this stage practice has settled and standard setting is not necessary. EFRAG should therefore consult in the DCL its constituents before expressing a view.
- 19 Other detailed comments were made by EFRAG TEG members, which have been already reflected in the markup DCL provided for this session.
- 20 Subject to the comments provided, EFRAG TEG members agreed to recommend the EFRAG DCL for approval to the EFRAG Board.

¹ These issues are part of the « remaining issues » described in paper 02-04.

Next steps

- 21 The EFRAG Secretariat proposes the following timeline to organise the consultation. We note in particular that due to the IASB timeline, none of the current TEG or Board meetings allows for a timely approval and a meetings have to be scheduled. We propose to have a joint TEG and Board approval, in order to further shorten the due process.

Timing	Consultation
24 November 2021	Consultation of EFRAG CFSS members
2 December 2021	FIWG meeting
7 December 2021	EFRAG User Panel meeting
7 December 2021	IAWG meeting
December 2021	To consider financial instruments with ESG features
21-22 December 2021	To discuss the BACS issue at EFRAG TEG
14 January 2022	End of EFRAG consultation
28 January 2022	End of IASB consultation
4 February 2022	Joint EFRAG FIWG-IAWG meeting on results of the consultation
8-9 February 2022	Joint EFRAG Bard-TEG meeting to consider and approve final comment letter

Questions for EFRAG Board

- 22 Do EFRAG Board members have comments on the draft comment letter?
- 23 Do EFRAG Board members approve the issuance of this draft comment letter?
- 24 Does the EFRAG Board agree not to include the issues mentioned in paper 02-04 in the draft comment letter to the Request for Information relating to PIR IFRS 9 (except the ones relating to business model)?

Agenda Papers

- 25 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 02-02 – PIR IFRS 9 – EFRAG draft comment letter – clean;
 - (b) Agenda Paper 02-03 – PIR IFRS 9 – EFRAG draft comment letter – compared
 - (c) Agenda Paper 02-04 – PIR IFRS 9 – Remaining issues.