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Initial application of IFRS 17- IFRS 9 – Comparative Information – Final endorsement advice - Cover Note

Objective

- 1 The objective of this session is to discuss the comments received on the draft endorsement advice *on Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)* ('the Amendment') and to recommend a final endorsement advice to the EFRAG Board.

Background

- 2 Many insurance entities will first apply IFRS 9 and IFRS 17 at the same time on or after 1 January 2023. The transition requirements in the two Standards apply at different dates:
 - (a) The IFRS 9 transition requirements apply on the date of initial application (i.e., 1 January 2023 for many insurance entities); and
 - (b) The IFRS 17 transition requirements apply on the transition date, being the beginning of the previous annual reporting period (i.e., 1 January 2022 for many insurance entities).
- 3 To address this situation an amendment is being introduced that will permit an entity to present its comparative information about a financial asset on initial application of IFRS 17 and IFRS 9 based on its expected classification under IFRS 9, as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset (classification overlay).
- 4 The classification overlay allows preparers to apply IFRS 9 instead of IAS 39 in the following situations:
 - (a) preparers that first apply IFRS 17 and IFRS 9 at the same time and that will restate comparative information for IFRS 9. For those preparers the classification overlay could be applied to financial assets derecognised in the comparative period (i.e., financial assets to which IFRS 9 is not applied).
 - (b) preparers that first apply IFRS 17 and IFRS 9 at the same time and that will not restate comparative information for IFRS 9. For those preparers the classification overlay could be applied to any financial asset in the comparative period.
 - (c) preparers that have already applied IFRS 9 before applying IFRS 17. For those preparers, the classification overlay is applicable only in particular circumstances, i.e., in case of redesignation of financial assets derecognised in the comparative period.

- 5 EFRAG’s draft endorsement advice was published on 28 December 2021 with a comment period till 19 January 2022.

Comment letters received

- 6 Six comment letters were received (one of which is a draft). The comment letters can be found [here](#).

Key changes from the draft endorsement advice

- 7 No changes to the draft endorsement advice are proposed.

Questions for EFRAG TEG

- 8 Does EFRAG TEG agree with the unchanged endorsement advice?
- 9 Does EFRAG TEG agree with the EFRAG Secretariat advice not to mention, in the final endorsement advice, the extension of the classification overlay to financial conglomerates that apply the top-up (based on the temporary exemption under IFRS 4)??
- 10 Does EFRAG TEG agree to recommend the final endorsement advice to the EFRAG Board for approval?

Agenda Papers

- 11 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 01-02 – Comment letter analysis; and
 - (b) Agenda paper 01-03 – Final endorsement advice (clean).
- 12 As there are no changes brought to the endorsement advice, there is no comparison between the final and draft version.