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## PIR IFRS 9 Impairment – List of issues Cover Note

### Objective

- 1 The objective of this session is to present an updated list of issues that EFRAG will report in response to the forthcoming RFI of the PIR of IFRS 9 – *Impairment*.

### Background of the IASB project

- 2 The IASB decided to start the PIR of impairment requirements in IFRS 9 and is starting by collecting information to identify the issues to be addressed. After the initial collection of information planned for Q3 2022 – Q1 2023, the IASB expects to publish the Request for Information (RFI) by the end of May 2023.
- 3 The PIR consists of two phases: Phase 1 – Identify matters to be examined; and Phase 2 – consider feedback received.
- 4 In February 2023, the IASB discussed the feedback from stakeholders on the first phase of the project and decided on matters about which the IASB will ask questions in the RFI.
- 5 The IASB decided to ask questions about:
  - (a) the general approach to recognising expected credit losses (ECL), specifically:
    - (i) the effects of the approach on the usefulness of information about changes in credit risk to the users of the financial statements; and
    - (ii) the costs and benefits of applying the approach to particular transactions, such as inter-company loans;
  - (b) significant increases in credit risk, specifically:
    - (i) the use of judgement in determining significant increases in credit risk; and
    - (ii) the evidence about the causes of and the extent of diversity in how entities assess significant increases in credit risk;
  - (c) the measurement of ECL, specifically:
    - (i) using multiple forward-looking scenarios; and
    - (ii) measuring ECL in periods of enhanced economic uncertainty, including the use of post-model management adjustments or overlays;
  - (d) the prevalence of questions from entities on how to apply the ECL requirements for purchased or originated credit-impaired financial assets;

- (e) the simplified approach to recognising ECL for trade receivables, contract assets and lease receivables, specifically:
    - (i) the effects of the relief provided by the IASB through this approach; and
    - (ii) the inclusion of forward-looking information when applying this approach;
  - (f) the accounting for loan commitments, collateral and other credit enhancements held and financial guarantee contracts issued that are within the scope of IFRS 9;
  - (g) the application of the ECL requirements in combination with other requirements in IFRS 9 or in other IFRS Accounting Standards;
  - (h) the effects of transition reliefs provided by the IASB and the balance between reducing costs for preparers of financial statements and providing useful information to users of financial statements; and
  - (i) the credit risk disclosure requirements in IFRS 7, specifically:
    - (i) whether the combination of disclosure principles and minimum disclosure requirements achieves an appropriate balance between comparable information and relevant information for users of financial statements about the effect of credit risk on the amount, timing and uncertainty of future cash flows; and
    - (ii) the compatibility of the requirements with digital reporting.
- 6 The objective of PIR is to assess whether the effects of applying the new requirements on users of financial statements, preparers, auditors and regulators are as intended when the IASB developed those new requirements.
- 7 In order to make this assessment, the IASB needs to know whether there is *evidence* that there are any:
- (a) fundamental questions about the core objectives or principles – their clarity and suitability – that indicate that the new requirements are not working as intended; or
  - (b) specific application questions which not necessarily prevent the IASB from concluding that the new requirements are operating as intended but may nonetheless need to be addressed, if they meet the criteria for taking further action (e.g., benefit to users are significantly lower than expected or the costs of applying ECL requirements are significantly greater than expected).

### **Background of the EFRAG discussions**

- 8 In anticipation of the publication of RFI and as a preliminary work, EFRAG reached out to its constituents and working groups to collect issues that they think should be raised during this process. In April-July 2022, the EFRAG Secretariat has held several meetings with EFRAG constituents and working groups and came up with a first comprehensive list of issues that have been reported to the IASB Staff, including at the ASAF meeting in September 2022. The initial list of issues was discussed with EFRAG FR TEG-CFSS members in the June and September 2022 meetings.
- 9 EFRAG FR TEG members discussed the EFRAG Secretariat's preliminary assessment on prioritisation of issues during their meeting on 9 February 2023. Agenda paper 08-02 takes into consideration the comments provided by EFRAG FR TEG members during this meeting.

**Questions for EFRAG FR TEG**

- 10 Do EFRAG FR TEG members have any comments on the updated list of issues that EFRAG will use as basis for response to the forthcoming RFI of the PIR of IFRS 9 – Impairment, as reported in agenda paper 08-02?

**Next steps**

- 11 The EFRAG Secretariat will closely monitor the developments of the IASB project and continue discussions with EFRAG FR TEG, EFRAG working groups and EFRAG constituents to select and prioritise the issues to be included in its DCL.

**Agenda Papers**

- 12 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 08-02 – IFRS 9 PIR ECL – List of issues;
  - (b) [Link](#) to February 2023 IASB Staff paper AP27A on analysis of outreach feedback – general model – for background information;
  - (c) [Link](#) to February 2023 IASB Staff paper AP27B on analysis of outreach feedback – other areas – for background information;
  - (d) [Link](#) to February 2023 IASB Staff paper AP27C on analysis of outreach feedback – disclosures – for background information; and
  - (e) [Link](#) to February 2023 IASB Staff paper AP27D on review of academic literature – for background information.