

POSITION PAPER



Call for comments on FICE Early-Stage Analysis Working Paper

ESBG (European Savings and Retail Banking Group)

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ESBG welcomes the opportunity to comment on the EFRAG FICE Early-Stage Analysis Working Paper.

Do you find this type of early-stage analysis to be useful?

We consider that this exercise could be useful to improve the understanding and analysis of the IASB proposals. In this regard, we agree that it should be one of a number of documents related to a specific project that should all be taken into consideration from a comprehensive point of view, subject to several limitations. The document's usefulness will essentially depend on the EFRAG's capacity to reach conclusions overcoming, for example, the limited available evidence, the difficulties in making an accurate assessment of stakeholders expectations, lack of detail inherent to non-IFRS Standard documents, etc. In this sense, conclusions and key findings should not be drafted vaguely and in general terms.

In our opinion, it is critical that the document states that it does not reflect technical conclusions of EFRAG (as is specified in paragraph ES.1). In addition to this, it is crucial that EFRAG internally addresses those cases where feedback provided by stakeholders is not shared by EFRAG, for which they would achieve a different conclusion.

Do you have any comments on the findings included in the Working Paper?

We do not have specific comments regarding the findings included in the working paper, considering also that some of them had been already shared by EFRAG in several publications¹.

An issue of concern is the risk that these exercises may become easily outdated. Does EFRAG expect them to be a one-off exercise or update the documents as the projects move to further phases? If so, will stakeholders be required to communicate the changes in their understanding of the project?

Do you have any suggestions to enhance the usefulness for future work on the project on FICE?

In terms of the future work on FICE, we are particularly interested in potential reclassification of different types of AT1 instruments including undated, non-cumulative preference shares with conversion, which deliver a variable number of shares upon an event outside the control of entity. However, as indicated in the early-stage analysis document (paragraph 4.49), EFRAG could not conclude on the impact on classification and the corresponding impact on the issuance of those instruments. We believe that the usefulness of the project from now on will depend on the EFRAG's capacity to provide guidance on all the outstanding issues, with or without a previous contrast from IASB.

Do you have any suggestions to enhance the usefulness of this type of exercise on other projects?

Finally, as long as the IASB project progresses and final decisions are made, we would suggest to create a clear governance to ensure the consistency of the messages included in the early-stage analysis and draft/final endorsement advice documents.

Moreover, we would suggest that EFRAG facilitates the type of documents which could be prepared and published, their objectives, governance involved, etc. We believe that it would be useful for the different stakeholders to know and to understand what information they should objectively expect from EFRAG in both its endorsement and research activities.

¹ Demystifying FICE: a clearer picture on classification; Visualising FICE: a closer look at presentation and disclosure.



About ESBG (European Savings and Retail Banking Group)

ESBG represents the locally focused European banking sector, helping savings and retail banks in 20 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 1,000 banks, which together employ 780,000 people driven to innovate at 56,000 outlets. ESBG members have total assets of €6.2 trillion, provide €500 billion in SME loans, and serve 150 million Europeans seeking retail banking services. ESBG members are committed to further unleash the promise of sustainable, responsible 21st century banking.



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