

EFRAG's Research Project 'Equity Instruments–Impairment and Recycling'

Objective of this public consultation

EFRAG has recently received a request for advice from the European Commission ("EC") in relation to the accounting requirements of investments in equity instruments under IFRS 9 *Financial Instruments*, and whether they could affect long-term investing. In the first phase of the project, EFRAG has been asked to collect financial information on the existing investments in equity instruments.

EFRAG has developed this questionnaire in order to gather the requested data from European entities reporting under IFRS Standards. EFRAG will not publicise the names of organisations who responded to the public consultation but will only present aggregated information.

Please complete this survey by 30 September 2017.

Background

IFRS 9 *Financial Instruments* was issued by the IASB in July 2014 and is effective for annual periods beginning on or after 1 January 2018. For equity instruments, other than those held for trading and contingent consideration recognised in a business combination, the IASB has introduced an irrevocable option at inception on an instrument-by-instrument basis that permits those instruments to be accounted for at fair value through other comprehensive income ("FVOCI"), with no impairment losses recognised in profit or loss and no reclassification in profit or loss of gains or losses upon derecognition.

In the Basis for Conclusions on IFRS 9, the IASB notes that one of the primary reasons for not allowing recycling is that it would create the need to assess these equity instruments for impairment. The IASB also noted that the application of impairment requirements in IAS 39 was very subjective.

In its Endorsement Advice to the EC on IFRS 9, EFRAG noted that the prohibition of recycling may be considered as limiting the relevance of the information, since profit or loss is the main indicator of performance, and could affect in particular long-term investors. The EC and the European Parliament will monitor the impact of IFRS 9 on long-term investors.

Instructions to complete the questionnaire

We understand that you might not respond to some of the questions, e.g. because questions are not applicable, information might not be available, the expected impact is immaterial or you do not wish to provide certain information. We ask you to respond only to those questions that are applicable in your circumstances and for which you have some information (even if that information is only an early estimate), and indicate the reason for not responding to a question.

If you have any questions about the survey, please contact Filippo Poli (filippo.poli@efrag.org) or Ioanna Chatzieffraimidou (ioanna.chatzieffraimidou@efrag.org).

1. Can we contact you to discuss your answers?

Yes

No

General information about the respondent

2. Please tell us:

Your name: *

Email address: *

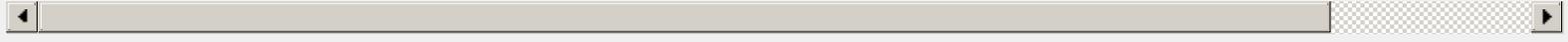
If you are responding for an organisation, please indicate the name and type of organisation and a short description of activity/industry:

Job title/role:

Country:

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Iceland
- Ireland
- Italy
- Latvia
- Liechtenstein
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia

Spain
Sweden
United Kingdom
Non EU or EEA country



3. Please state which country:

4. Main countries of operation:

General questions

5. Do you consider that your entity is a long-term investor in equities? *

- Yes
- No

6. Please describe the basis on which you describe your entity as a long-term investor (i.e. the criteria you have applied) and/or how you identify which equities are held for the long-term.

This could include:

- an expectation to hold investments for a significant period of time; or/and

- a business model that matches long-term liabilities/commitments with long-term investments.

7. Please describe the main factors that influence your asset allocation. Rank the three most important factors.

8. Please describe the main factors that influence your average holding period and disposal decisions for investments in equity instruments. Rank the three most important factors.

Quantitative data

As part of our process we need to gather some quantitative data. Below there is a link to an excel file where we need this information captured. Please can you:

1. Download the file and save it to your computer. This may take a couple of minutes.
 2. Complete the excel file.
 3. Upload it onto the survey in the next question.
-

[Link to the excel file to the capture quantitative data](#)

9. Please upload the completed excel file here:

Browse...

10. Explain shortly which factors are considered in assessing whether Equity Instruments are impaired:

Expected changes

11. When is the first time you will expect to apply IFRS 9?

- 1 January 2018
- 1 January 2021
- Other - Write In (Required)

*

12. Do you expect to use the election to designate equity instruments as FVOCI?

- Yes
- No

13. Will this choice be based on some characteristics of the investment? (% of ownership, expected holding period, industry etc.) ?

14. What percentage of your equity instruments do you expect to designate at FVOCI?

15. Following the introduction of IFRS 9, do you expect to modify your average holding period of investment in equity instruments?

- Yes
 - No
-

16. How do you expect your holding period to be affected?

17. Following the introduction of IFRS 9, do you expect to modify your asset allocation?

- Yes
 - No
-

**18. How do you expect to change your investment in equity instruments following the introduction of IFRS 9?
By how much?**

19. If you expect to reduce your allocation to equity instruments, to what other class of assets will you allocate more?

20. Should you have further comments, please include them below:

21. Do you want to review your answers before submitting them?

- Yes
 - No
-

Thank You!

Thank you for taking our survey. Your response is very important to us.
