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Summary of TEG discussion on 6 November - Issues Paper

Objective

- 1 The 6 November 2019 EFRAG TEG discussed the project Equity – Research on Measurement. The purpose of the session was to discuss the draft EFRAG advice and to seek final views from EFRAG TEG on the Feedback Statement.
- 2 The objective of this paper is to provide the EFRAG Board with a summary of the discussion by EFRAG TEG on the Equity Measurement draft advice in response to the request of the EC.

EFRAG TEG Discussion

Please note that due to time constraints this summary has not been approved by EFRAG TEG members.

- 3 EFRAG TEG members had previously discussed the Feedback Statement and a first draft of the Advice (which did not yet include the concluding remarks).
- 4 EFRAG TEG members discussed the Advice and provided the following drafting suggestions, which are not yet reflected in the Draft Advice provided for discussion to the Board on 13 November 2019:
 - (a) Chapter 5 (dealing with equity-type instruments) should reflect that when a fund has in place a trading strategy for managing the underlying assets, units of such a fund should not be eligible for FVOCI, as FVTPL would be the only appropriate accounting treatment reflecting the trading strategy.
 - (b) Starting from the observations in the paragraph above, better linkage should be built between Chapter 4 and Chapter 5 to reflect the role of the business model.
 - (c) Chapter 4, when commenting on the characteristics of FVTPL, should specify that changes in fair value depict economic mismatches and as such are informative about the risks to which an entity is exposed, due to the structure of its balance sheet, including mismatches between assets and liabilities.
 - (d) Chapter 5 as currently written focuses on the operability of the different models when applied to the equity-type instruments. The content has to be enriched to clarify the relevance of the information resulting from the different models and its usefulness.
 - (e) Chapter 4 and 5 should include a statement to acknowledge that the consultation did not confirm a link between the accounting treatment and investment in sustainable finance.
- 5 EFRAG TEG members were asked whether they would support the issuance of the Advice, subject to the drafting suggestions above and to supplementary inputs on the concluding remarks.

Summary of TEG discussion - Issues Paper

- (a) 8 members (Chiara Del Prete, Nicklas Grip, Ana Cortez, Geert Ewalts, Emmanuelle Guyomard, Heinze Hense, Olivier Scherer and Cédric Tonnerre) supported the issuance of the Advice.
- (b) 4 members (Anthony Appleton, Günther Gebhardt, Ambrogio Virgilio and Jed Wrigley) did not support the issuance of the Advice. They considered that, due to the absence of the relevant definitions of LTIBM and sustainable activities:
 - (i) the request by the EC was not sufficiently clear; and
 - (ii) the draft, starting from the feedback received from the consultation, referred to all equity instruments, not to a subset of them.
- (c) Søren Kok Olsen could support the issuance of the Advice if the concluding remarks stated that EFRAG would advise to wait for the IFRS 9 PIR to address those issues.

6 Sven Morich, Tommaso Fabi and Andrew Spooner were absent during the vote.

Questions for EFRAG Board

7 Does EFRAG Board have further comments or questions for EFRAG TEG?