

EQUITY INSTRUMENTS - IMPAIRMENT AND RECYCLING

EFRAG DISCUSSION PAPER
MARCH 2018

QUESTION 1 - RECYCLING GAINS OR LOSSES ON DISPOSAL

Q1.1 What are your views on the arguments presented in paragraphs 2.3 – 2.10? Do you consider that the reintroduction of recycling would improve the depiction of the financial performance of long-term investors? Alternatively, do you consider that the existing requirements of IFRS 9 provide an adequate depiction? Please explain.

In order to consider if the existing requirements of IFRS 9 are sufficient, CNC considers that there should be a period of implementation. So, this could be assessed on the post-implementation period.

QUESTION 2 - CONCEPTUAL RELATIONSHIP BETWEEN RECYCLING AND IMPAIRMENT

Q2.1 What are your views on the arguments presented in paragraphs 2.11 – 2.17? Do you consider that, from a conceptual standpoint, recycling should be accompanied by some form of impairment model? Please explain.

If recycling is introduced, then the long term equity instruments should be tested for impairment.

QUESTION 3 - ENHANCING PRESENTATION AND DISCLOSURE REQUIREMENTS

Q3.1 What are your views on the arguments and analysis presented in Chapter 3 of the DP?

CNC considers that the information recognized is more relevant than information disclosed in the notes.

Q3.2 Are there other improvements in presentation and disclosure that you would support?

We are of the opinion that to satisfy the needs of different investors there will always be additional needs of information for the different models.

QUESTION 4 - TWO MODELS

Q4.1 What should be, in your view, the general objective and main features of a robust model for equity instruments (relevance, reliability, comparability...)?

Q4.2 Which, if either, of the two models do you prefer? Please explain.

Q4.3 Do you have suggestions for a model other than those presented in the DP? If so, please describe it and explain why it would meet characteristics such as relevance, reliability and comparability

We are not in accordance with any of the models presented. We prefer the model of IFRS 9.

QUESTION 5 - QUANTITATIVE IMPAIRMENT TRIGGERS

Q5.1 Do you support the inclusion of quantitative impairment triggers in an impairment model? If so, should an IFRS Standard specify the triggers, or should management determine them?

No, we don't support the introduction of quantitative triggers in an impairment model. However if a trigger is included, entities should be able to rebut this presumption.

Q5.2 If you do not support quantitative impairment triggers, how would you ensure comparability across entities and over time?

The model of impairment for these financial assets should be based on expected losses and not in quantitative triggers. IFRS 9 is a principle based standard and therefore there shouldn't be a quantitative trigger to determine impairment.

QUESTION 6 - SUBSEQUENT RECOVERY IN FAIR VALUES

Q6.1 How should subsequent recoveries in fair values be accounted for? Please explain.

Q6.2 If subsequent recoveries in fair values are recognised in profit or loss, which of the approaches in paragraphs 5.2 – 5.10 do you support and why?

CNC is of the opinion that it is possible to account for subsequent recoveries in the fair value of these instruments similar to the other financial assets under IFRS 9.

QUESTION 7 - OTHER CONSIDERATIONS

Q7.1 Do you consider that the same model should apply to all equity instruments carried under the FVOCI election? If not, why not and how would you objectively identify different portfolios?

Q7.2 Do you have comments on these other considerations?

Q7.3 Are there other aspects that EFRAG should consider?

Yes, we consider that the same model should apply to all equity instruments under the FVOCI election.

Lisbon, 22th May 2018