

Mr. Jean-Paul Gauzès
President of the EFRAG Board
EFRAG
Square de Meeûs 35
B-1000 Brussels
Belgium

Submitted via website

Brussels, 4 September 2020

Subject: Response to EFRAG's Draft Letter to the European Commission Regarding Endorsement of the Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Dear Mr. Gauzès,

We are pleased to respond to EFRAG's Draft Endorsement Advice (DEA) concerning the Interest Rate Benchmark Reform (Phase 2).

Accountancy Europe welcomes the Interest Rate Benchmark Reform (Phase 2) related amendments. We would like to applaud the IASB for successfully completing this important project on a timely basis and EFRAG for its significant inputs/contributions provided in an expeditious manner. Accountancy Europe also highly appreciates EFRAG's efforts in accelerating the development of its endorsement advice, and as such facilitating a timely publication in the Official Journal.

As mentioned in EFRAG's cover letter to the DEA, it would indeed be of utmost importance that the amendments are endorsed by the European institutions as speedily as possible. The effective date of the amendments is 1 January 2021, with earlier application being permitted. We have been informed that the ability to apply the amendments already during 2020 is crucial given the demand from preparers to progress with their transition to the new benchmark interest rates by amending some contractual arrangements before December 2020.

We kindly refer to the annex to this letter for our detailed responses to the questions stipulated in EFRAG's Invitation to comment.

Please do not hesitate to contact Ben Renier (Ben@accountancyeurope.eu) in case of any additional questions or remarks.

Sincerely,

A handwritten signature in blue ink, appearing to be 'B. Renier', with a long horizontal stroke extending to the right.

Olivier Boutellis-Taft
Chief Executive

ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 51 professional organisations from 35 countries that represent close to **1 million** professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18).

INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS ON *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*

Once filled in, this form should be submitted by 7 September 2020 using the 'Comment publication link' available at the bottom of the respective news item. All open consultations can be found on EFRAG's web site: [Open consultations: express your views.](#)

EFRAG has been asked by the European Commission to provide it with advice and supporting material on *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* (the Amendments). In order to do so, EFRAG has been carrying out an assessment of the Amendments against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from their implementation in the European Union (the EU) and European Economic Area.

A summary of the Amendments is set out in Appendix 1 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

Before finalising its assessment, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interests of transparency, EFRAG will wish to discuss the responses it receives in a public meeting, so it is preferable that all responses can be published.

EFRAG's initial assessments, summarised in this questionnaire, will be updated for comments received from constituents when EFRAG is in the process of finalising its *Letter to the European Commission* regarding endorsement of the Amendments.

Your details

1 Please provide the following details:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Accountancy Europe

- (b) Are you a:

Preparer User **Other** (please specify)

Professional organization, audit and accountancy

- (c) Please provide a short description of your activity:

Accountancy Europe unites 51 professional organisations from 35 countries that represent 1 million qualified accountants, auditors and advisors. Qualified accountants make numbers work for people. As Accountancy Europe, we translate their daily experience from across Europe to inform the European policy debate. We do this in the areas in which our profession can contribute most, namely: Sustainable Finance, SMEs, Tax, Reporting and Audit.

- (d) Country where you are located:

Belgium

- (e) Contact details, including e-mail address:

ben@accountancyeurope.eu

EFRAG's initial assessment with respect to the technical criteria for endorsement

- 2 EFRAG's initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, the Amendments are not contrary to the principle of true and fair view and meet the criteria of understandability, relevance, reliability, comparability and lead to prudent accounting. EFRAG's reasoning is set out in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

- (a) Do you agree with this assessment?

Yes No

If you do not agree, please provide your arguments and what you believe the implications of this could be for EFRAG's endorsement advice.

N/A

- (b) Are there any issues that are not mentioned in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of [the Document] that you believe EFRAG should take into account in its technical evaluation of the Amendments ? If there are, what are those issues and why do you believe they are relevant to the evaluation?

No

The European public good

- 3 In its assessment of the impact of the Amendments on the European public good, EFRAG has considered a number of issues that are addressed in Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

Improvement in financial reporting

- 4 EFRAG has identified that in assessing whether the endorsement of the Amendments is conducive to the European public good it should consider whether the Amendments are an improvement over current requirements across the areas which have been subject to changes (see paragraphs 3 to 5 of Appendix 3 of the accompanying *Draft Letter to the European Commission*). To summarise, EFRAG's initial assessment is that the Amendments are likely to improve the quality of financial reporting.

Do you agree with the assessment?

Yes No

If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

N/A

Costs and benefits

- 5 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this invitation to comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 11 to 13 of

Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments. To summarise, EFRAG's initial assessment is that implementation of the Amendments will not result in increased costs to users; that is, it is likely to be cost neutral.

Do you agree with this assessment?

Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

N/A

- 6 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments. The results of the initial assessment of benefits are set out in paragraph 14-16 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments. To summarise, EFRAG's initial assessment is that users will benefit from financial information reflecting the underlying economic substance. The Amendments are expected to significantly reduce the operational burden on preparers. In addition, preparers will benefit from the Amendments which will help with avoiding the undue disruption from discontinuing hedging relationships which would otherwise be caused by the IBOR reform.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

N/A

- 7 EFRAG's initial assessment is that the benefits to be derived from implementing the Amendments in the EU, as described in paragraph 6 above, are likely to outweigh the costs involved, as described in paragraph 5 above.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

N/A

Overall assessment with respect to the European public good

- 8 EFRAG has initially concluded that endorsement of the Amendments would be conducive to the European public good (see paragraphs 23 to 27 of Appendix 3 of the accompanying *Draft Letter to the European Commission*).

Do you agree with this conclusion?

Yes No

If you do not agree, please explain your reasons.

N/A