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## **IFRS 9 PIR – Analysis of issues identified through initial feedback Cover Note**

### **Objective**

- 1 The objective of this session is for the EFRAG TEG to agree on the list of issues EFRAG is to develop views when responding to the RFI of IFRS 9.

### **Background**

- 2 The effective date of IFRS 9 was set as annual reporting periods beginning on or after 1 January 2018. Insurers and EU financial conglomerates have the possibility to defer the application date of IFRS 9 till 1 January 2023 (subject to fulfilling particular conditions).
- 3 In October 2020, the IASB decided to begin the PIR of the IFRS 9 classification and measurement requirements, but not to begin the PIR of the Standard's impairment and hedge accounting requirements.
- 4 During February – March 2021, the EFRAG Secretariat consulted EFRAG working groups (Academic Panel, FIWG, IAWG, User Panel, CFSS) and had an exchange with the IFRS 9 Task Force of Accountancy Europe. This consultation has allowed to prepare a first comprehensive list of issues that have been reported to the IASB Staff, including at the ASAF member in March 2021.
- 5 On 9 June 2021, the EFRAG Board decided that the future EFRAG response to the Request for Information (RFI) on IFRS 9 *Financial Instruments* should include views about the technical merits of the *key* issues reported. The remaining issues are to be reported to the IASB without an accompanying assessment.
- 6 The EFRAG Board further decided that the technical assessment should be focused on providing indications as to whether standard setting is considered necessary to solve the issue, without providing indications of the possible standard setting solution itself.
- 7 When assessing the technical merits, to the extent possible, the EFRAG response to the RFI should also provide indications of the type of standard setting activity needed (e.g. amendments to the standard, educational material).
- 8 The EFRAG Board suggested the following indicators on how to identify key issues and to consult also on these indicators and on the resulting prioritisation of the issues:
  - (a) Issues where the current requirements lead to unintended consequences;
  - (b) Issues where there is an inconsistency or lack of clarity in IFRS 9; and

- (c) Issues that are newly emerging, including issues with a possible relevance for European Public Good (such as the recycling of OCI for equity instruments and the treatment of green bonds).
- 9 It was noted that for some issues EFRAG has already developed views and it would be sufficient to repeat the existing positions. This relates to:
- (a) Recycling the changes in FV accumulated in OCI for equity instruments; and
  - (b) FVTPL treatment for equity-type instruments (e.g. units of funds).
- 10 The issue on applying the SPPI test to sustainable finance products was seen as an implementation issue rather than that the current guidance is perceived as unclear.
- 11 The issues described in paragraphs 8 and 9 are known to be prevalent in Europe (as confirmed by recent consultations). For the other issues, estimating prevalence is generally hard in practice, therefore the EFRAG Secretariat will rely on the experience of EFRAG TEG members (especially those with an audit background) and the EFRAG TEG working groups to identify whether some issues are prevalent or not. Preliminary indications of prevalence will also be subject to the consultation.
- 12 During this session, the EFRAG TEG will be asked to agree on the list of issues EFRAG is to develop views about the technical merit when responding to the RFI of IFRS 9. The entire list of issues (as reported during the outreach on the PIR of IFRS°9) can be found in paper 05-02.
- 13 An EFRAG Secretariat proposal with regard to these views will then be brought to EFRAG TEG for the July meeting.

**Questions for EFRAG TEG**

- 14 Does EFRAG TEG agree with the classification of issues identified as proposed by the EFRAG Secretariat?
- 15 Do you have indications of prevalence of issues reported as category A, B, C and D in paper 05-02?

**Agenda Papers**

- 16 In addition to this cover note, the agenda paper 05-02 – IFRS 9 PIR - Analysis of issues identified through initial feedback – Issues paper is presented for this session.